Daily Report

Latin America

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FBIS-LAT-95-231 *1 December 1995*

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Brazilian Daily Views Mercosur's Agenda for 1996

PY3011205895 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Nov 95 p A8

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Government officials from Brazil, Argentina, Uruguay, and Paraguay will comprise a working group that has been recently established to specially look after the Common Market of the South [Mercosur] trade negotiations abroad. In 1996, the Mercosur will have a complex agenda of discussions with the EU, the South American countries, the WTO, and other economic blocs of the American continent.

Foreign Minister Luiz Felipe Lampreia has said that in the last few days, the Itamaraty's Foreign Policy Council decided to transfer part of the Inter-American Development Bank (IDB) resources—which are earmarked for the institutional strengthening of Itamaraty—to personnel training and the organization of seminars and studies because the government must be ready to face complex international negotiations next year.

Beginning 20 November, Brazil has been participating in Vancouver (Canada) in an informal meeting that will make an evaluation of the WTO's first year of existence. Brazil is represented by Ambassador Sebastiao do Rego Barros, secretary general of the Itamaraty. The Canadian Government has invited 10 countries, including Australia, New Zealand, India, Argentina, Malaysia, and the ROK. These countries will begin discussing steps to prepare the ministers' meeting which will be held in Singapore in December 1996, when a new round of negotiations, similar to the Uruguay Round, will start. This new round of negotiations will discuss topics such as trade and investment and international competitiveness, Lampreia said.

On 17 November, Lampreia met with an important group of Brazilian entrepreneurs. They said they are dissatisfied over their impossibility of participating in international negotiations that are held by the Brazilian Government. The Brazilian group of the Council of Latin American Entrepreneurs (CEAL), which is comprised of 97 leaders of all segments of the Brazilian economy, has complained to the foreign minister because private area representatives do not participate in the negotiations of the Mercosur and of the free trade areas to be established in the hemisphere.

CEAL President Roberto Teixeira da Costa and 15 other entrepreneurs have proposed to Lampreia a formula similar to the one adopted in Mexico to negotiate the NAFTA. "Nearly 2,000 Mexican entrepreneurs have participated in the hand-to-hand struggle 24 hours of each day. Every government interlocutor had a corresponding representative of the private area," CEAL Executive Secretary Susanna Sancovsky reported.

According to CEAL, the Brazilian entrepreneurs often say that they receive information from Argentine entrepreneurs—and not from the government—and that this only occurs after things have already taken place. Minister Lampreia has admitted that there will be "more regular and substantive contacts with the private area" in 1996 and that a mechanism similar to the one created in Mexico to negotiate the NAFTA will be established in Brazil too.

Lampreia believes that the Mercosur will advance in two directions next year. The bloc will put into operation a series of measures approved in Ouro Preto, Minas Gerais, in 1994. Among them, it will implement agreements against unfair commercial practices and in the defense of consumers. According to Minister Lampreia, the Economic and Social Consultant Forum—which is a Mercosur organization established in 1994 in order to ensure entrepreneurs' and workers' the right to voice their opinions—will be activated. Lampreia is optimistic about the implementation, before December, of a common automotive regime between Argentina and Brazil.

One of the most important challenges of the Brazilian foreign trade is to prevent border problems the country is having with Paraguay from contaminating the two countries' overall relations. "Paraguay is a very important neighbor for Brazil. We have the Itaipu hydroelectric dam, the waterways, Brazilians who live there (Brasiguaios), and a bilateral trade superior, in both countries, to trade between Brazil and France," Lampreia emphasized. The new Brazilian ambassador to Asuncion, Marcio Dias, was accredited last week.

Making an evaluation of President Fernando Henrique Cardoso's first year of foreign policy, Lampreia said that Brazil "has improved on the international front." The international community perceives that in this area "Brazil's image is more positive than it was at the beginning of the year. Nowadays, Brazil has more influence in the international decisionmaking forums than ever before in its history," Lampreia asserted. He said that reasons for this increasing weight are already known: stabilization of the currency and of the economy, progress in approval of constitutional amendments, and the consolidation of the political and democratic processes. In addition, presidential diplomacy contributes to giving more value to these achievements, Lampreia said.

Cases of violence and disrespect for human rights, which often occur in Brazil and frequently hit the headlines of the international press, are not deemed embarrassing for Brazilian foreign policy because, according

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to Lampreia, "the innovative thing is that Cardoso's administration admits that there are problems and does whatever is possible to identify culprits and punish them. These efforts have been internationally recognized."

Mercosur Agreement With Chile, Bolivia in Doubt

PY3011192395 Montevideo BUSQUEDA in Spanish 23 Nov 95 p 23

[FBIS Translated Text] The Chilean delegation working on an agreement with Mercosur [Common Market of the South] members almost missed the plane to return to Santiago. When the Chilean delegates left the negotiating table in Montevideo on 22 November it was still not clear if President Eduardo Frei can sign the regional agreement—as he wants—during the Punta del Este presidential summit on 7 December.

Despite two days of hard negotiations in Montevideo, the only clear point was Chile's integration into a free trade zone within 10 years, as of 1 January 1996.

The same situation befell Bolivia, whose negotiators—even though the Bolivian position is closer to that of Mercosur members—did not finish the agreement to join Mercosur. Bolivian President Gonzalo Sanchez de Lozada is also invited to the Punta del Este summit.

The Chilean and Bolivian delegations will return to Montevideo next week for a final effort.

Carlos Mladimic, Chilean Business and International Economic Relations director and mission chairman, told BUSQUEDA he could not hide his disappointment regarding the chances of an agreement before the summit, adding that there is a firm "political will" to try.

Mercosur and Chilean delegates are discussing a tariff reduction schedule on nearly 70 percent of traded items, a list of exceptions (58 items for Chile and 231 for Mercosur member countries), and a list of sensitive products that will have special treatment.

Mercosur partners will apply their Common External Tariff to transactions involving countries outside the free trade zone, and Chile will maintain its national tariff.

This is one of the more complex items to harmonize. Chileans uniformly pay a tariff of 11 percent on all imports while Mercosur countries have a maximum tariff of 20 percent (except for some current exceptions) which drop to about 16 percent according to the volume of trade.

Peru's Fujimori Opens Gathering of Auditing Entities

PY2911170095 Madrid EFE in Spanish 1842 GMT 28 Nov 95

[FBIS Translated Text] Lima, 28 Nov (EFE)—Peruvian President Alberto Fujimori said that a large part of the Latin American foreign debt was obtained through "corrupt practices" which "are a source of shame" for the governments that resorted to those practices.

Fujimori, who opened the Latin American and Caribbean Organization of Auditing Entities (OLACEF) gathering, harshly criticized corruption in the use of state resources, which is a common practice in the countries of the region.

Fujimon said: "Corruption comes in many forms, such as the inappropriate and illegal use of state resources, the illegal actions favoring third parties to the detriment of the administration of justice, and the wasting of resources when officials travel abroad."

He added: "Corruption also involves trafficking in influence, which is another way of using the state for private benefit."

Regarding the foreign debt, Fujimori asked: "What percentage of the Latin American debt, and particularly the Peruvian debt, is the result of corrupt practices, the harmful loans that were obtained through the payment of commissions in the countries that received the loans and in the countries that granted them?"

Fujimori added: "It was probably a large percentage, and this is a source of real shame for those governments, because the suffering Latin American people are the ones who paid, and are still paying, the high cost of the debt."

Fujimori also mentioned drug trafficking as another form of corruption that has grown in the region.

He said: "With its great power, drug trafficking buys people's consciences and infiltrates the state."

Regarding his administration, Fujimori acknowledged that "there are still signs of bad management in Peru, but this is an evil we inherited and we take it as a challenge for an all-out and permanent fight against it."

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Cuba

Further Reporting on Castro China Visit

Talks Agenda Noted

PA3011162795 Havana PRENSA LATINA in Spanish 0532 GMT 30 Nov 95

[By special correspondent Javier Rodriguez]

[FBIS Translated Text] Beijing, 30 Nov (PL)—Cuban President Fidel Castro and PRC President Jiang Zemin began official talks today in the Great Hall of the People, in the heart of this capital.

The meeting was preceded by the welcome given to the Cuban president with an artillery salute in Tiananmen Square, where the flags of the two countries have been flying since yesterday.

Fidel Castro is visiting the Asian country for the first time, at the invitation of Jiang Zemin, and will remain there until 8 December. He will also travel to several provinces and cities in the interior, including Shanghai, Guangdong, Guangzhou, and Shanxi.

Upon arrival at the monumental Great Hall of the People and following the military greeting ceremony, Fidel Castro was received by the Chinese president at the door of the central hall, and both greeted each other affectionately.

Afterward, they talked privately longer than scheduled and then went to the East Hall for the talks by the delegations.

PRENSA LATINA has learned that the agenda includes an analysis of current trade and economic links, scientific and technical assistance, and other topics of interest to the two parties.

Both Tiananmen Square and the Great Hall of the People were all decked out to receive the illustrious visitor, who arrived in the PRC on the afternoon of 29 November.

Despite the cold weather, numerous people gathered near the square to watch the ceremony and see Fidel Castro, who arrived wearing his traditional olive drab uniform.

The day's agenda includes a meeting in the afternoon between the Cuban president and Li Ruihuan, president of the Political Consultative Conference, an entity representing various groups and parties.

The conference, as its name indicates, works as a consultative organ, where political suggestions are debated by the sectors represented there.

At the end of the afternoon, the Cuban president will meet with Qiao Shi, head of the Permanent Committee of the National People's Congress, the Chinese parliament.

In the evening, Jiang Zemin will host a reception in honor of the head of the Cuban state.

Top Leaders Meet

PA3011215195 Havana Cuba Vision Network in Spanish 1730 GMT 30 Nov 95

[Report by "NTV" newscast special correspondents in Beijing—live]

[FBIS Translated Text] Commander in Chief Fidel Castro this morning went to the Chinese Parliament. He arrived there at 0930. At the entrance of the Great Hall of the People he was greeted by Chinese President Jiang Zemin and a pioneer girl who gave him a flower arrangement.

Afterwards, in line with protocol, the Chinese president accompanied him to receive the main leaders of the host country, including Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultation Conference; Foreign Minister Qian Qichen; Chen Jinhua, minister in charge of state planning commission; Ambassador to Cuba Xu Yicong; and [words indistinct] of the People's Political Consultation Conference.

Fidel reciprocated by introducing the members of the Cuban delegation: Economy Minister Jose Luis Rodriguez, Foreign Relations Vice Minister Isabel Allende, Felipe Perez and Jose Millan Barruecos, state [words indistinct] Cuba, and Jose Luis Robaina, a Central Committee official.

The official welcome ceremony began then with the participation of a Chinese Army ceremonial battalion. [National anthems of Cuba and China are played]

In Beijing, Fidel and the delegation accompanying him are holding meetings at the highest level and specific results are already evident.

Once the meeting between the presidents of China and Cuba concluded, the two delegations met to initiate official talks.

[Begin recording] [Jiang Zemin in Chinese with passage by passage translation into Spanish] I remember that in 1993 during my trip from (?Seattle) to Havana I notice the difference in the climates. In (?Seattle) it had been snowing.

[Castro] There is a significant difference: humidity. In Cuba the humidity level is high, around 80 or 90 percent. In China, in Beijing, this is much lower. Heat

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is more noticeable when the humidity is high. [end recording]

Chinese Foreign Trade Minister Wu Yi and Cuban Economy Minister Jose Luis Rodriguez signed three economic cooperation agreements. The first one grants Cuba a $8.3 million soft credit line for economic, scientific, and technical development programs; the second agreement is a donation for more than $3 million for scientific and technological development; and the third is a document establishing the new formulas for guaranteeing bilateral commerce.

[Begin recording] [Rodriguez] There will be a new type of relations. The document on the grand new commercial agreement will be signed later, but its basis are in this document that has been signed and that liquidates the past and establishes new relations.

[Unidentified reporter] Can you tell us something about those basis.

[Rodriguez] Commerce will be between enterprises and it will be a balanced kind of commerce. It will not be between the states. Technical, banking, and other aspects will be discussed in Havana around mid-December.

[Reporter] What advantages will this bring to our country?

[Rodriguez] It guarantees the continuity and the level of Cuban-Chinese trade, which is very important.

[Reporter] During the evening, Fidel and the Cuban delegation met with Li Ruihuan, chairman of the PPCC [National Committee of the Chinese People's Political Consultative Conference], who expressed his government's satisfaction for the Cuban president's visit.

[Begin recording] [Li Ruihuan, in Chinese with passage-by-passage translation to Spanish] All these months following the return from my visit to Cuba, I have taken the information, the explanation on Cuba's situation as an important part of my work. I have been actively working for the early visit of Comrade Fidel Castro to the PRC. I, therefore, feel particularly happy today in seeing my goal fulfilled. Of all recent visits by heads of foreign states to China, I dare say that yours, Comrade Fidel Castro, is the one which has the greatest impact in China. Both the party, as well as the Chinese Government give great importance to the current visit by Comrade Fidel Castro. We consider that your presence here will play an extremely important role for future links between both states and the two parties. Of course, I want you to express with full confidence—just as you told me in Havana—any criticism, any requirement, any observation by you on your stay in China, to the Chinese comrades who accompany you, just as if you were in your own home.

[Castro in Spanish, with passage-by-passage translation to Chinese] I remember very, very, very well the conversation we held in Havana. For us your visit was a great honor and was of great encouragement. I remember that one of the topics we broached was the upcoming world women's conference to be held right here in Beijing. This was not only an important event, but also a complex one. This was because China's adversaries and those adversaries of socialism always do whatever possible to create difficulties, create obstacles. I mentioned at the time that our delegation of Cuban women were in full disposition to struggle and fight for the event's success. [end recording]

[Reporter] The Cuban delegation was also met that afternoon by Qiao Shi, chairman of the Standing Committee of the National People's Congress, that is, the Chinese parliament.

[Begin recording] [Qiao Shi in Chinese, with passage-by-passage translation to Spanish] Our warmest welcome to Comrade Fidel Castro. For several years we have wished that you leave Cuba to come to visit us. We have closely followed all past Cuban experiences. Both the 26 July revolution against the Batista dictatorial regime and also post-revolution experiences building socialism amid enormous difficulties.

[Castro in Spanish, with passage-by-passage translation to Chinese] How well you pronounce the name Batista, despite the fact that you do not know Spanish. [laughter]

[Qiao Shi in Chinese, with passage-to-passage translation to Spanish] Forgive me for not having learned Spanish, but I did read your self-defense at the trial.

[Castro in Spanish, with passage-by-passage translation to Chinese] In Chinese, no? [laughter]

[Qiao Shi in Chinese, with passage-to-passage translation to Spanish] In Chinese.

[Castro in Spanish, with passage-by-passage translation to Chinese] I see you are well informed.

[Qiao Shi in Chinese, with passage-to-passage translation to Spanish] We have always had a great interest in Cuba. Regrettably, up to now, I have not had the opportunity to visit Cuba.

[Castro in Spanish, with passage-by-passage translation to Chinese] But soon you will have the opportunity to come. You have an invitation by the National Assembly of the People's Government. Today I ratify this to you as the first point.

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[Qiao Shi in Chinese, with passage-to-passage translation to Spanish] I have, in fact, received the invitation by the president of your assembly. I will make time to carry out this visit.

[Castro in Spanish, with passage-by-passage translation to Chinese] Even if it is only to rest. We will work out a program that will allow you to get to know Cuba, talk, and have some relaxation. Of course, you will be going from such a large country to such a small country like Cuba. China is 100 times bigger than Cuba, in population. [end recording]

Commentary Views Visit

PA3011222495 Havana Radio Rebelde Network in Spanish 1800 GMT 30 Nov 95

[Orlando Contreras commentary; from the "National Radio News" newscast]

[FBIS Translated Text] The visit by President Fidel Castro to China confirms that in today's world there are hundreds of million of human beings who do not accept the hegemonic and selfish globalization pursued by Washington. It demonstrates it is a practice of arrogance and an evidence of ignorance or bad faith, or both, to try to impose by force, in a basically plural world resulting from the broad number of cultures and national histories, a single economic and political model, modeled after that of the United States and conceived to be branches to the interests of that imperial megametropolis.

President Jiang Zemin gave a warm welcome to President Fidel Castro and he said the Chinese people support Cuba's fair struggle for the defense of national independence, sovereignty, and against foreign intervention. He also stated that the visit by the Cuban president will contribute to better understand each other and to bolster bilateral relations.

Commander in Chief Fidel Castro praised China's stability and economic development and said Cuba feels stimulated by China's successes in maintaining national stability and economic development. After concluding the first talks between both presidents, three agreements on economic and commercial cooperation were signed.

Fidel's visit to China is just beginning and it is already a success. It shows that in today's world, in spite of Washington's triumphant and hegemonic shouting, there is still room for solidarity from those who feel it is still possible to build realities that are not dependent on centers of power, that cooperation and friendship are not a dead illusion, and that the efforts of those who resist and fight with dignity for a better present and future are not unfruitful.

'Excellent' Talks

PA3011191795 Havana PRENSA LATINA in Spanish 1201 GMT 30 Nov 95

[FBIS Translated Text] Beijing, 30 Nov [PL]—Cuban President Fidel Castro's visit and talks with Chinese leaders are characterized by their friendliness, which points to the extent of the development of relations between the two countries.

Chinese leader Jiang Zemin today received the Cuban head of state with an embrace at the main door of the Great Hall of the People and later accompanied him in reviewing the ceremonial guard made up of members of the three services of the Armed Forces, which paid him homage.

An indication of the manner in which first, the two presidents treated each other, and second, the way the members of the two delegations interacted, is the fact that the scheduled meeting was extended for an extra half hour, and reporters were able to witness the cordial atmosphere that prevailed during that period.

Reporters noted that Jiang Zemin and Fidel Castro exchanged extensive views on their countries, including the weather.

The Chinese leader explained that some areas in China reach Celsius 30 degrees below zero with variations in humidity, while Fidel Castro said that in Cuba, the humidity is what is really important.

The Cuban president pointed out that he was attending the ceremony and talks in his olive drab uniform as a sign of respect "for the glorious Chinese traditions," although he intended to change his clothes for other official events.

"You look very well in uniform," Jiang Zemin said, to which the Cuban leader replied with a smile that he has always worn these kinds of clothes, changing them only during certain international meetings, "so they will not think I am a guerrilla."

The cordial gestures continued during the remainder of the day, with the signing of three important agreements between the two countries and with the reception later given in honor of Fidel Castro by Li Ruihuan, chairman of the Political Consultative Conference, and Qiao Shi, chairman of the National People's Congress.

One of the agreements establishes procedures to give continuity and fluidity to bilateral trade, once the current bilateral agreement expires next month and before the signing of a new agreement.

According to Cuban Ambassador to China Jose A. Guerra Menchero, from now on, this trade will be

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balanced between companies, upholding the high level of these ties.

The other agreements gave Cuba a soft credit line for $8.3 million for economic and scientific-technical development programs, and a Chinese donation, for the same purpose, of $3.1 million.

Meanwhile, Li Ruihuan described Fidel Castro's visit as having the greatest impact in China of all the recent visits by other heads of state.

Li said that the Communist Party and the Government of China attach great importance to this visit, which will be extremely significant for the growth of future ties, and described the talks held this morning between Fidel Castro and Jiang Zemin as excellent.

Qiao Shi, chairman of the National People's Congress, also gave a warm welcome to the illustrious visitor, who re-extended the invitation to Shi to visit Cuba by Cuban Parliament President Ricardo Alarcon.

The day ended with the presidential reception, which a large number of Chinese Government leaders and members the Communist Party of China attended and which ended a day characterized by expressions of friendship and cooperation between the two nations, which proclaim socialism as their path toward development.

Cuba, PRC Signing of Agreements Viewed

Accords on Economy, Technology

PA3011143095 Havana Radio Havana Cuba in Spanish 1300 GMT 30 Nov 95

[FBIS Translated Text] In Beijing, Cuba and the PRC signed three cooperation agreements which set the basis for an uninterrupted flow of future trade between the two countries. The documents were signed in the presence of PRC President Jiang Zemin and Cuban President Fidel Castro, who is in China on an official visit.

According to one of the agreements, the PRC grants Cuba a soft line of credit for $8.3 million for economic development and scientific and technical programs. Another agreement deals with a PRC donation of $3.1 million for the same purpose.

Cuban Ambassador to the PRC, Jose Guerra Menchero, underlined the importance of the agreement that contains formulas that guarantee the continued flow of trade in the future. He said that the technical aspects of this agreement will be discussed in Havana in mid-December because the current commercial agreement expires at the end of the year. The foundation that has been laid down constitutes an important stage in Cuba-PRC trade.

New Phase in Commercial Relations

PA3011170295 Havana Radio Rebelde Network in Spanish 1255 GMT 30 Nov 95

[Live report by Zenaida Costales, from Beijing; from the "Doing Radio" newscast]

[FBIS Translated Text] Cuba is one of China's main commercial partners in Latin America, and trade between the two nations is based on a spirit of cooperation and mutual respect.

The Asian nation and Cuba are linked by joint commissions for economic, commercial, scientific, and technical cooperation and agreements for the protection of investments.

The signing today of three commercial agreements by Jose Luis Rodriguez, Cuban economy and finance [as heard] minister, and Wu Yi, Chinese minister of foreign trade and economic cooperation, in the presence of Cuban Commander in Chief Fidel Castro and the president of the People's Republic of China, here in Beijing, undoubtedly opens a new phase in the commercial relations between the two countries.

Jose Guerra Menchero, Cuba's ambassador to this country, was clear about this. [passage indistinct].

Excuse us. Since this is a live report, there are sometimes technical failures that prevent us from being as flawless as we would like, but I promise to give you details on what Guerra Menchero said.

This cooperation agreement is very important for the country, because it changes the type of trade relations between the two countries. This will guarantee a new type of economic relations between the two countries. This new agreement has not been completed, but it will be in the near future. Its fundamental basis is positive. Its technical characteristics will be worked out in December in Havana.

Once this agreement is signed, Havana and Beijing will have a commercial agreement that will increase trade between the two countries.

Further on Rejection of Human Rights Report

PA3011222095 Havana PRENSA LATINA in Spanish 1958 GMT 30 Nov 95

[FBIS Translated Text] United Nations, 30 Nov (PL)—Cuba today rejected as illegitimate the report of the so-called special rapporteur on an alleged human rights situation in that country and reiterated its willingness to cooperate with universal UN mechanisms in this area.

Envoy Bruno Rodriguez Parrilla, Cuban representative to the United Nations, said that in the current unipolar

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world, some people want to turn the cause of human rights into an instrument of their policy with new forms of supremacy.

With this, he added, they seek to limit the diversity of life to models considered universal beyond geographical borders, of economic development models, different cultures, history, philosophical and religious conceptions, and the immediate and future aspirations of peoples and individuals.

"An eloquent example of the above is the presentation of the report by the special rapporteur on the so-called human rights situation in Cuba, a basic element of the continued and systematic campaign that the U.S. Government has waged for more than three decades against my country," Rodriguez stressed.

He remarked that, fortunately, the realities in Cuba are becoming more evident to the international community as the years go by and there is greater awareness that the procedure to appoint a special rapporteur for human rights in his country is unjustified, discriminatory, illegitimate, and unfair.

He termed exemplary the behavior of Cuba in this area in the nearly 37 years of history of the revolution. He added that Cuba has never been accused of applying torture, carrying out political assassinations or forceful disappearances.

If we can be accused of anything, the envoy added, is of having achieved one of the most comprehensive and efficient health systems in the third world, having eliminated illiteracy, reducing infant mortality, and increasing life expectancy to levels similar to those in more developed countries.

Rodriguez expressed that in spite of the difficult economic moment Cuba is experiencing—worsened by the U.S. unilateral economic war—an orderly process of transformations and measures to perfect society and increase economic efficiency began.

He added that as a result of this process, the economic decline stopped in 1994 and 1995 will conclude with a clear improvement.

Rodriguez also talked about the steps taken for the normalization of relations with Cuban emigrants through various sovereign measures despite the obstacles by ultraconservative groups and the U.S. Government itself.

Among those obstacles he mentioned the unfair limitations to the visits by Cubans in both directions as well as the right of any resident in the United States to send economic aid to his relatives in the island.

After pointing out that, just like any other nation, Cuba requires stability and tranquility to carry out the process determined by its people, he said that the blockade to overpower an entire people through hunger is in itself the ultimate violation of fundamental human rights.

He also noted the radio and television war waged from U.S. territory to encourage terrorism and subversion as well as the imposition of a naval base against the will of the Cubans.

"The anti-Cuban campaign over the human rights issue is proven to have been conceived to try to legitimize the unjustifiable economic and political aggression the United States is waging against Cuba," Rodriguez said.

He said the report submitted by the so-called special rapporteur does not reflect and cannot reflect a framework of violence that does not exist. He should openly and honestly refer to the real causes of the problem and its promoter.

He said that worse still is the intention to legitimize the document when its true essence violates the principles of the UN Charter because it systematically questions the political, economic, and social order which the Cuban people have decided for themselves in the exercise of their own sovereignty and self-determination.

He said this is why Cuba rejects and will reject this selective and discriminatory action, which has no connection to human rights but does have connections to the interests of a great power.

Rodriguez indicated that in spite of the above, Cuba will maintain "its permanent cooperation with UN human rights mechanisms of a universal scope, including the high commissioner for human rights."

He added that his country maintains that decision, "regardless of the unfair, partial, and even aggressive treatment which the existence of a special rapporteur represents and the resolutions against Cuba imposed on this commission and other elements of our organization."

Alarcon Stresses Historical Ties With Spain

BR3011154095 Madrid EL PAIS in Spanish 30 Nov 95 p 19

[Report by M. Vicent: "Havana Hopes That Historical Ties Will Moderate People's Party"]

[FBIS Translated Text] The Cuban Government is confident that the historical and economic ties between Cuba and Spain will have an impact sooner or later on relations between Cuba and a future People's Party government in the event that [People's Party president] Jose Maria Aznar wins the next election. Although as of yesterday there had been no official reaction to Aznar's visit to Miami, the Cuban authorities have

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repeatedly said that Spanish-Cuban relations should be above political currents.

The last time they said this was in Havana less than two weeks ago, when People's Party Deputy Guillermo Gortazar said that Cuba could not count on the support of the People's Party unless it made democratic changes. "Post-Castroism will come, and we want to say quite clearly that our support for and solidarity with the Cuban people knows no bounds, but we do not want to contribute in any way to prolonging for a single day the extraordinary circumstances in which this country is living," Gortazar said. The speaker of the Cuban parliament, Ricardo Alarcon, then told EL PAIS that even at the most difficult of times, including during the Franco government, Cuba and Spain maintained easy relations and the Spanish Government did not comply with the U.S. blockade of Cuba. "I hope that our friendship and ties with Spain are stronger than any views which a given politician might have a given time," Alarcon said.

Criticism of Businessmen

Gortazar used his speech which appeared in the weekly CUBA Y LA UNION EUROPEA, which was set up by the Association of European Journalists, to make clear what future relations between the People's Party and Cuba could be. He also leveled controversial criticism at some Spanish businessmen who are investing in the island, calling them "unscrupulous or misinformed." "Which category do I fall in?" asked a leading Spanish entrepreneur who has made major investments in the Cuban tourism sector. Of the 214 joint ventures in Cuba, 47 are Spanish, while of the 644 representative offices of foreign companies, 150 are Spanish. "I do not think that the People's Party can seriously threaten Spanish companies in Cuba and change relations with the island that much, because then it would have to begin to tremble," said another entrepreneur, who privately admitted to voting for the People's Party.

Gortazar said in Havana that the People's Party will not support a cooperation agreement between Cuba and the EU unless there is political amnesty and a reform of the Penal Code. Cuba's Foreign Minister Roberto Robaina replied without beating around the bush: "Cuba does not accept preconditions of any kind."

Growing Trade Imbalance Favors Mexico

PA3011201795 Mexico City NOTIMEX in Spanish 1840 GMT 29 Nov 95

[FBIS Translated Text] Havana, 29 Nov (NOTIMEX)—Carlos Fuentes, Mexican trade adviser in Havana said here today that the trade between Cuba and Mexico could reach approximately $300 million by the end of this year, three times the amount of trade in 1994.

Fuentes told NOTIMEX that oil sales, which soared this year, represent 75 percent of Mexican exports to Cuba and continue to grow at the same rate, while the sale of consumer goods and spare parts for industries has also increased.

Fuentes added that the increase in trade revenues has also increased the trade imbalance. At the end of June, Mexican exports had reached $200 million, while Cuban exports were only $3 million.

Fuentes believes that this bilateral trade tendency is due to three main factors: a fresh credit line, which has almost been completely spent this year; the finding of a mutual natural market; and a cheap Mexican peso.

Fuentes said that after Cuba canceled a debt of approximately $350 million last year, the National Foreign Trade Bank of Mexico [Bancomext] opened a similar credit line, which has been used the greater part of this year.

At the same time, businessmen from the two countries have found a "natural long-term market" and have managed to "give a new scope to bilateral foreign trade," Fuentes said.

Fuentes said that in addition, the cheapening of Mexican products after the 100 percent devaluation of the Mexican peso a year ago immediately produced a more attractive offer for Cuba, which also became a stronger market for Mexican products.

Fuentes pointed out that the trade relationship between Cuba and Mexico has become more fluid in the last two years as it has become more natural.

In addition to oil, Mexico sells Cuba processed foods, spare parts for the basic, textile, and manufacturing industries, while at the same time, purchasing medicines, liquor, and sugar from Cuba.

Association of Caribbean States Meeting in Guatemala

Robaina on Importance of Meeting

PA3011155195 Havana Radio Havana Cuba in Spanish 1300 GMT 30 Nov 95

[FBIS Translated Text] Foreign Minister Roberto Robaina has described as especially unique the Association of Caribbean States meeting that opened in Guatemala City today.

Arriving in this country, Robaina said that this meeting is important for Cuba, not only because it makes

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progress toward regional integration possible, but also because it allows future bilateral contacts between Cuban and Guatemalan authorities. He said that, although there are no diplomatic relations between the two countries, communication has taken place. Referring to the presence of a high Cuban government official in Guatemala for the first time in 35 years, Robaina said it is interesting and important to have this degree of communications with a country with which there has only been casual contact. There is a strong and historic identification between Cubans and Guatemalans. Everything that contributes to knowing each other better is important. For this reason, this meeting is particularly unique for Cuba.

Further Robaina Commentary

PA0112005095 Havana Cuba Vision Network in Spanish 1730 GMT 30 Nov 95

[Report from Guatemala City by Special Envoy Rey Rodriguez]

[FBIS Translated Text] The first general session of the Association of Caribbean States [ACS] will convene today and tomorrow in Guatemala City where the Cuban delegation has already arrived headed by Foreign Minister Roberto Robaina. From this Central American country we have a report by special envoy Rey Rodriguez.

Yesterday, during the night hours, Cuban Foreign Minister Roberto Robaina arrived to Guatemala heading the Cuban delegation that will take part today and tomorrow, in the first general session of the Council of Ministers of the ACS.

According to the Cuban delegation, and the rest of the 25 member states represented here in this meeting, the main objective of the gathering will be to give continuity to the agreements made on 24 July 1994 when the ACS was formally constituted.

A key issue to be discussed during the meeting will be the steps to expedite the start of the association, the creation of the secretariat, and the budget for 1996. With respect to this subject let us listen to some statements made by our Foreign Minister Roberto Robaina a few minutes after his arrival to Guatemala City.

[Begin Robaina recording] I would rather say that more than giving continuity to what has already been approved, this meeting would be more intended at establishing mechanisms that would allow us to put what we have agreed into practice. In this meeting it will be too difficult to materialize what was approved in Cartagena and what the heads of state discussed and agreed to carry out. This meeting has a very practical objective most of all since as of now, I would say that what will really propel the ACS mechanism will be precisely the meeting that gathers us here. There are three topics which we believe it is essential for the Caribbean nations to discuss and focus on what be want our collaboration and cooperation mechanism to be like. In practice, we may do something else [word indistinct] great topics related to trade, tourism, and [passage indistinct]. [end recording]

[Passage indistinct] the issue of Caribbean integration and commercial exchange in the area will also be included in topics to be discussed always keeping in mind that the Caribbean only has 2 percent of its trade among the countries of the region, and the rest is with Europe and the United States.

On Relations With Guatemala

PA0112043495 Havana PRENSA LATINA in Spanish 2234 GMT 30 Nov 95

[By Ulises Canales]

[FBIS Translated Text] Guatemala City, 30 Nov (PL)—Cuban Foreign Relations Minister Roberto Robaina expressed here today his opinion in favor of increasing contacts between his country and Guatemala. He warned, however, that he was not seeking to resume diplomatic relations.

He underscored, "I have not come to resume diplomatic relations because I believe that these are not sought but rather appear and can be established whenever the necessary conditions are created. In order to create these conditions, a lot should be accomplished, including first of all a great progress in the area of knowledge."

This was Robaina's reply to a group of Guatemalan and foreign reporters who are covering the first regular session of the Council of Ministers of the Association of Caribbean States (ACS), which began this Thursday at the National Palace in this capital city.

He pointed out that there is no reason to get ahead of the developments. In his opinion, his visit has allowed him to become acquainted and speak about Cuba. However, he stated that he did not come to seek a date or an agreement. This will take place when life itself determines so.

Regarding this morning's meeting with Alfonso Portillo, presidential candidate for the Guatemalan Republican Front (FRG), Robaina commented that they discussed Cuba's economic and political situation while he gathered information on Guatemala's reality.

The Cuban foreign relations minister also expects to meet with Alvaro Arzu, presidential candidate for the National Vanguard Party (PAN). Robaina explained that

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these contacts are part of his agenda during his visit to Guatemala.

"Anything that would help us to know Guatemala's reality better is important to us," he said. Then he added that his visit to this country would not be complete unless he heard from the candidates themselves how they have made it to the runoff elections, what situation they are in, their possibilities for winning, and how they see the future.

Roberto emphasized, "It is an exercise to know them and have them know Cuba's willingness to maintain the highest level of communication with this country. [quotation marks as received]

He recalled that although it is uncommon for ranking officials of the Cuban Government to visit Guatemala, there have been contacts between both peoples, sportsmen, businessmen, and leaders of both governments at international forums.

In his opinion, there are many expectations, but there should be no false ones because it is necessary "to discover one another and know each other better, which we are doing."

This is the first visit that a ranking official of the Cuban Government has made to Guatemala during the past 36 years. The Cuban foreign relations minister was questioned about recent migration talks between his country and the United States, and about the future role of the ACS.

In this regard, he considered that these talks were carried out frankly, openly, and sincerely. He underscored, "There are not any new topics or secret negotiations."

Regarding the ACS, he expressed himself in favor of enforcing legal instruments that will give a personality of its own to this regional entity that has a great potential but still lacks the mechanisms to take action.

Robaina pointed out that Latin America faces the greatest challenge to survive in unity against foreign attempts to bring it apart, and to fight the neoliberal model, whose results—he said—teach that the rich become richer and the poor, poorer.

Attorney General Comments on 'Money Hoarders'

PA0112043595 Mexico City NOTIMEX in Spanish 2129 GMT 29 Nov 95

[FBIS Translated Text] Havana, 29 Nov (NOTIMEX)—The Attorney General's Office has revealed that the Cuban Government confiscated in more than one year, 4.780 million pesos (equivalent to the dollar according to the official exchange rate) from citizens who have been charged of illegal enrichment and are known here as "money hoarders" [macetas].

During that same period, the money that was "frozen" (retained until the investigations conclude) amounted to 20.750 million pesos. The source added that the government had also seized 583 cars, 252 motorcycles, 114 trucks, and 490 houses.

In an interview given to the bimonthly BOHEMIA magazine, Cuban Attorney General Juan Escalona made a balance of their battle against "money hoarders" (speculators who got rich during the current crisis) that started in May 1994.

The official said authorities had 541 cases against speculators and, out of this amount, 427 have been sent to the Finance and Prices Ministry, which has already ruled on 310 of them.

He clarified that self-employed workers, who are more than 200,000 in the island, "are the least important" among the illegal enrichment cases that involve people who used raw material stolen from government firms.

The offensive against the "money hoarders," which is complemented with the struggle against corruption among government officials and employees, is backed by a law decree that was dictated by the Council of State (highest government institution) on 5 May 1994.

The law decree authorizes the state to confiscate and appropriate assets and revenues belonging to people who, according to the official criterion, have obtained them in an irregular or illegal manner.

The law decree also authorizes the Attorney General's Office and the Finance Ministry to investigate and seize the belongings of people involved in illegal operations in the black market. Such people could face a criminal trial and the total loss of their assets.

Labor Minister on Solutions for Unemployment

PA0112005195 Havana PRENSA LATINA in Spanish 2209 GMT 29 Nov 95

[FBIS Translated Text] Havana, 29 Nov (PL)—One of the solutions to the unemployment problem in Cuba is reorienting the labor force toward agriculture, where the main source of work is found, Labor and Social Security Minister Salvador Valdes has said.

In fact Valdes said, the situation has become difficult to solve, as the active working population is concentrated in the urban areas.

In order to stop the migratory exodus to the urban areas and try in this way to change the tendency, he stressed, conditions will be created to encourage workers to stay

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at the non-urban settlements. Those conditions include building houses and improving life conditions in those areas.

In statements to the local media, Valdes also underscored the presence of some sectors that generate jobs in the capital city, such as the production of construction materials, tourism, and self-employment. He stressed, however, that those activities do not totally fulfill the aspirations of the people living in the capital.

Valdes believes that the search for solutions to the unemployment problem generates new issues regarding social security and its cost, which does not mean giving up the essential accomplishments of the revolution, he stressed.

Chamber of Commerce President Visits Venezuela

PA0112012895 Havana Radio Havana Cuba in Spanish 0000 GMT 29 Nov 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Cuban Chamber of Commerce President Carlos Martinez Salsamendi said in Caracas that there are real possibilities for the island and Venezuela to substantially increase their current trade relations. The Cuban official is currently in Caracas on a short visit to prepare a workshop on conditions to invest and trade with Cuba, which will take place in Venezuela in late January.

Civil Defense Air Alarm Drill 3 Dec

PA0112023595 Havana Radio Rebelde Network in Spanish 1800 GMT 30 Nov 95

[From the "National Radio News" newscast]

[FBIS Translated Text] In order to test the population air alarm warning system, at 0800 on 3 December the alarm system will go off as part of the activities marking the national defense day. The signal will be broadcast on national and provincial radio stations, as well as over the siren system and other existing means at the province, municipality, and defense zone level.

The Civil Defense National Staff instructs the population, workers, and students to immediately proceed to protection facilities or shelters upon hearing the air alarm, as established by the Defense Councils in each community.

Haiti

Aristide Reiterates Intentions for Public Office

PA3011191495 Port-au-Prince Tropic FM in French 1700 GMT 30 Nov 95

[FBIS Translated Text] President Jean-Bertrand Aristide confirmed today in Port-au-Prince during a meeting with a small group of foreign journalists, including AFP, that he would leave power on 7 February 1996. Speaking from his office at the National Palace, Aristide said: On 8 February 1996, I will no longer be president. I always said that I would leave on 7 February 1996, he added. Aristide also announced that he would not accept the post of prime minister under a new president or any other public service post and refused to indicate whether he would be a candidate for a second term in 2001, explaining: I believe I will have time to think about that.

Asked about his possible support for former Prime Minister Rene Preval, the Haitian head of state answered: I have no preference, I try to help all candidates. My purpose is the unity of the nation and Lavalas as a family, he said. Concerning Preval, Aristide said: They used to call us twin brothers.

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Zedillo Speaks on Alliance for Tourism

PA0112043395 Mexico City XEW Television Network in Spanish 0400 GMT 28 Nov 95

[From the "24 Hours" newscast]

[FBIS Translated Text] President Ernesto Zedillo has installed the Alliance for Tourism. The event took place in the Adolfo Lopez Mateos Hall at Los Pinos Residence. Zedillo said his government will support tourism as an important factor to strengthen economic recovery and employment in the country. The tourism industry represents $25 billion in revenues. In the majority of cases Mexican workers are hired, and it employs 10 percent of the working population.

[Begin Zedillo recording] It is an industry that in the upcoming years, very soon, will surpass the income Mexico receives from petroleum exports. [end recording]

Tourism Secretary Silvia Hernandez spoke and explained the structure of the alliance. Antonio Ariza, president of the National Advertising Council announced a national campaign to strengthen the tourism industry and the unity of Mexicans. Juan Diego Gutierrez Cortina, founder of the group that promoted the Alliance for Tourism stressed the tourism industry generates employment and development opportunities. Another speaker was Bernardo Quintana, president of the Green Angels Foundation, which was made official. The governors of Guerrero, Baja California, Chihuahua, Quintana Roo, Oaxaca, Tamaulipa, Jalisco, and Baja California Sur were present, as well as senators, deputies, and tourism workers from all over the country.

Chamber of Deputies Approves Revenue Bill for 1996

PA0112004995 Mexico City Radio Red Network in Spanish 0000 GMT 30 Nov 95

[Report by Rafael Jerezano; from "The Night Monitor" newscast]

[FBIS Translated Text] This is a report from the San Lazaro Legislative Building.

The Institutional Revolutionary Party [PRI] majority has prevailed again. The Revenue bill for 1996 became law a few minutes ago by 270 yes votes to 148 no votes. The 270 votes were cast by PRI deputies. The opposition parties—National Action Party, Labor Party, and Party of the Democratic Revolution—voted no. Now let's take a look at how all this happened.

Deputy Francisco Suarez Avila, president of the Chamber of Deputies' finance and public credit commission, said the fiscal package proposed by the Executive, which was changed by PRI deputies, contains no tax increases but responsible, non-opportunistic, and nonterrorist measures. He added that this package is the body of laws that has offered the greatest encouragement in many years. Further discussing the measures to stimulate economic activities, he recalled that the Executive, through a decree establishing exemption of various federal taxes and giving fiscal stimuli, issued a decree that was published on 1 November. This decree virtually eliminates the tax on assets for small- and medium-scale enterprises. This tax is only applied to the largest ones, which have been able to withstand the crisis. Let's see the various positions.

Regarding this 1996 Revenue bill, the Labor Party commented that this one and the recommendation proposal both represent a step backward in the effort to define a fiscal strategy in accordance with Mexico's present needs. The party also said that, as the result of the deterioration of public revenue, the government has chosen a completely wrong course of action, which completely distorts the structure whereby the government collects resources from the society. He also said that the inability to reform the present tax structure by leaning on progressively higher and higher taxes is forcing the government to rely on two sources that are troublesome. One is based on indirect taxes, such as the value-added tax, and the other deals with rights for pumping and marketing crude oil and by-products.

Deputy Efigenia Martinez Hernandez, explaining the PRD faction's no vote on this proposal, said that, in view of the most severe recession in the country's recent history, the economic measures proposed by the government for 1996 are not only insufficient but not even workable if the country is to grow again. In addition, the anticipated high indebtedness is unnecessary.

At a certain time, Deputy Francisco Suarez Davila commented that PRI members made more than 35 important changes on the revenue law, fiscal miscellaneous law, and new fiscal laws. Then PAN deputy Gabriel Llamas called him a liar.

[Begin recording] [Llamas] Sir, to be a liar it is necessary to be convinced of that. And you lied because you know well that those who worked hard were others, not the PRI. The opposition played its role to effect significant changes in this package. But this package includes irrelevant changes that represent no benefit for Mexico. Gentlemen, wrap yourselves in your empty speech. You are drowning.

Then PRI deputy Monica Lenero took the floor and, in turn, called Llamas a liar.

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[Lenero] I think this podium deserves some respect at least. The truth should be spoken from it. Fortunately, everything said here is recorded. I also delivered a speech. The commission appointed me to present the recommendation. But I never said anything related to my political party.

The only PRI deputy that voted no, was Alejandro Rojas Duran. He said that the deputies should not come to defend or vote for speculators or bankers but for the people who starve. By approving this proposal, PRI is paving the way for its burial in 1997, he said.

[Rojas] Proposals? Time is what the country requires. Time is what the Mexican people want to (?change) the economic policy. Time to live in dignity. Why do we, as PRI members, say something and then (?vote) against what we really think? Why are we not consistent? Why not? In this revenue proposal, we should have made plans to seize the illegal fortune of the Salinas brothers. That would have been revolutionary, and patriotic. [end recording]

Finally, to collect all evidence for trying Carlos Salinas de Gortari, the PRD faction has reported that on 1 December it will install two modules at the San Lazaro Legislative Building to receive complaints, proofs, and testimonies from the people. The modules will remain open from 0200 to 1800. Letters, telegrams, and faxes are also expected on dissatisfactions with and harm done to the Mexican people by the former administration. As for the debates, this matter will take a long time. The debate is expected to end about 0200 or 0300 in the morning.

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Honduras

Deputy on Support for Army, Pay, Salvadoran Provocations

PA0112043795 Tegucigalpa EL PERIODICO DE HONDURAS in Spanish 29 Nov 95 p 5A

[Report by J.R.M.C.]

[FBIS Translated Text] Tegucigalpa—Deputy Mamilio Rodas Gamero said yesterday on behalf of the National Defense Commission that soldiers who are now volunteers need to have their salaries increased.

From his point of view, the government has to keep its promise, which was to offer incentives for joining the various military units, not only to obtain education, food, and training, but also to earn more money.

Soldiers currently receive 50 lempiras a month, which is not compatible with the country's economic situation. The idea is to establish the financial capacity of the Armed Forces next year to ensure that the barracks not remain empty as they are now.

Rodas Gamero said that Congress has to specify the number of soldiers the Army will have in its different branches. This will set the amount of funds because the possible salary for each soldier will be 250 lempiras a month.

Army Needs Support

"The moment the Armed Forces disappear there will be attempts to cause anarchy in the country."

He added that very soon the public will learn the true situation existing on the border area with El Salvador, where despite the presence of Honduran soldiers, there is a constant provocation against our sovereignty, taking lumber to the other side, while Honduran officers do not intervene out of prudence, thus avoiding confrontations.

All those people enter the country armed and willing to do whatever it takes. He added that sometimes we think with a political mentality and not what is best for the country. There are those who believe that they will gain followers by going against the Armed Forces, forgetting that if there are aggressions against our sovereignty it will be the men in uniform and not civilians who will face the situation.

Nicaragua

Chamorro Signs Telcor, Property Laws

PA3011232795 Managua Presidential Office Press Release in Spanish 30 Nov 95

[Text of address by President Violeta Barrios de Chamorro on occasion of the signing of the Law of Incorporations and Expansion of Public Telecommunications Services and the Law of Property Stability, at the Presidential Palace in Managua, on 30 November 1995]

[FBIS Translated Text] Monsignor Eddy Montenegro, representative of the Catholic Church; National Assembly President Mr. Luis Humberto Guzman; Messrs. Presidents of the State Branches; Members of my Government Cabinet; Members of the Diplomatic Corps and International Organizations; Members of the Board of Directors and Representatives of the National Assembly; Special Guests; National and International Press; My Dear Nicaraguans:

During the consultation group meeting that took place on 26 March 1992, my government expressed its foremost aspiration for a medium-term development.

Since the beginning of my administration, I stated that Nicaragua was in need of tremendous transformations, with the conviction that the most significant prerequisite for sustained and balanced growth was to reinstate all Nicaraguans, at the individual, household, corporations, nonprofit organizations level, with the freedom and commitment to work for the security and economic prosperity of everyone.

In order to accomplish this objective, we committed ourself: To deregulate the economy, to guarantee access to the external markets, to guarantee the right to hold property, to revive the financial sector, as well as to privatize state enterprises.

My government was based on the concept of development with clearly established objectives, and well-defined principles. It was not an imposition by the international organizations but a sovereign decision by my government.

Since 25 April 1990, I pointed out the need to eliminate the state's control over economic development in order to transform it into a state that provides.

On 15 October 1992, I instructed the Economic Cabinet to design a privatization plan for the telecommunications sector.

A short time afterwards, on 15 February 1993, the minister director of the Nicaraguan Telecommunications and Postal Services Institute [Telcor] presented the plan requested.

In March of that same year, the decision was adopted to carry out the plan designed in a 15-month period.

We were unable to meet the deadline initially established on account of delays and other setbacks that arose at the National Assembly.

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Thank God, three years afterward, we have been able to secure the approval of the National Assembly, and today it is a historic reality for the country's development

This proposal is the one that benefits the country's interest the most, given the experience around the world.

The number of countries with emerging economies that have embarked on privatization programs to support their development continue to grow with each passing day.

It is well-known that this practice, which is taking place in countries throughout our hemisphere, has also been adopted by countries of the former socialist Europe that at one time were under state-controlled and planned economies, and have now become a new economic, social, and democratic order.

Today, for the first time in our history, we have arrived at the objective established that month of March 1992, by ensuring a new institutional framework for the telecommunications and postal services sector, where not only those with the good fortune to own a modern telephone will benefit, but also the workers who make this service possible.

The property problem has been one of the biggest jigsaw puzzles confronted by my government and Nicaraguan society.

After having successfully overcome the hyperinflation problem and achieved the pacification of the country, resolving the conflicts of property is one of the biggest challenges we have pending.

My government is totally aware that a quick and timely solution to the property problem is fundamental to attain social stability and to provide a propitious climate for investment and economic growth.

The participation of all those involved in this very delicate problem helps further the stability of the small beneficiaries, speeds the titling in urban and rural areas, and consolidates the compensation system with indemnity bonds. It allows for the expedient correction of abuses so that, in the framework of the reconciliation, which we have promoted so much, can find creative solutions that will help us advance for the good of the country.

The executive and legislative branches have decided to jointly sign these two laws, which are popularly known as the "Property Law" and the "Telcor Law," because their discussion and approval has been so difficult and controversial and because of their importance.

Sometimes it is difficult to make a decision because the options are difficult and because not all of us think in the same manner. We wish there would always be only one alternative.

However, this is the president's permanent dilemma. He has to always conciliate principles and criteria. He has to get the Constitution and the laws, which are sacred, to be respected and, at the same time, to take into account the realities and demands of each specific moment. This is the way he must act because, as a president, he cannot elude his historic responsibilities.

It is my responsibility to admit and respect consensus, the compromise of wills, and the agreements between the branches.

The property problem and the need to privatize Telcor are the result of both the mass confiscation and expropriation carried out by the previous government and the prevailing economic crisis.

We all have to be aware that great courage and decision are needed to find solutions to this enormous legacy I received.

It fills me with great satisfaction that the approval of those two laws are proof that we are advancing in the democratization of our fatherland, that we are gradually overcoming our disagreements, and that, together, we are assuming our historic responsibilities.

I am pleased that, with this property law, the National Assembly has admitted that the review system created by my government with presidential decrees is really the only feasible system to confront the difficult property problem. This law strengthens the review system and serves to expedite the correction of the abuses committed.

This law confirms the government's property program. My commitment to the people is to contribute to the stability of the country.

Chapter III of the government program establishes that: "We will guarantee the legitimate property of the land that the peasants have in their possession.... Those who have been benefited with the agrarian reform will receive property deeds.... The rural have-nots who have seized lands will have access to the agrarian reform....The demobilized peasants of the Army and the Nicaraguan Resistance will be given farming land to work."

This law confirms the will of the sectors participating in the concerted effort and establishes the "rules of the game" to clarify that the beneficiaries of the agrarian reform, as well as the more than 100,000 people living in urban lots, who are from poor families in the entire country, will be respected.

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Nothing is perfect and it is impossible to please everyone.

The advantages of this law are much greater than its costs and the disagreements. We must assume our responsibilities with decision and patriotic integrity.

Let us all take the responsibility to build and to continue building our democracy on solid and permanent bases.

May this season of the Virgin Mary, Christmas, and New Year help us to meditate and to promote fraternity among the entire Nicaraguan family.

I thank the diplomatic corps, businessmen, Christians, and journalists who accompany us this morning.

May God bless us.

Thank you.

Honduran General Discua Accused of Trafficking Immigrants

PA3011151795 Managua Canal Dos Television in Spanish 1600 GMT 26 Nov 95

[From the "This Week" newscast]

[FBIS Translated Text] Armed Forces Chief General Luis Alonso Discua issued a strong protest to the Foreign Ministry for an article published in EL NUEVO DIARIO in which Discua and his son were accused of being the principal traffickers of illegal immigrants in Central America. The newspaper article reveals an incident that occurred in 1994 at the airport in which one of General Discua's sons caused a commotion trying to get Nicaraguan authorities to allow entry into Nicaragua of 13 Chinese carrying Honduran passports who did not speak Spanish.

Discua demanded an explanation, which is absurd, regarding the article from Nicaraguan Immigration Deputy Director Commander Ana Isabel Morales, which, despite the pressures on the Foreign Affairs Ministry, was categorically rejected.

Lower Rank Army Officers Complain About Bosses' Bonuses

PA0112043695 Managua Radio Sandino in Spanish 1200 GMT 28 Nov 95

[From the "What's Happening?" newscast]

[FBIS Translated Text] Lower rank Army officers are complaining that the Army's high command has only authorized Christmas bonuses for colonels, majors, and captains and not for those who earn starvation salaries.

The officers added that they are denied benefits while their bosses are given distinctions and facilities, as well as 2,000 and 5,000 cordoba bonuses, which they use to purchase merchandise at the supermarket on Northern Highway.

Correction to Army Chief Vows To Protect Telcor Assets

PA2811193895

The following correction pertains to the item headlined "Army Chief Vows To Protect Assets From Sabotage," published in the 28 November Latin America DAILY REPORT, page 30.

Page 30, column one, paragraph four, only sentence, make read: ...will not allow any irresponsible acts of sabotage to cut the population off from the... Rewording is for clarity.

Page 30, column one, paragraph five, only sentence make read: ...to protect Telcor installations just as they... Rewording and deletion of the word "physical" are for clarity.

Panama

President on Exploratory Talks, Achievements

PA0112022095 Panama City Circuito RPC Television in Spanish 2300 GMT 30 Nov 95

[Part One of an interview with President Ernesto Perez Balladares by Lucas Aleman, director of the "RPC Television News" newscast, with an introduction by newscast anchorman Celiano Fonseca; place and date not given—recorded]

[FBIS Translated Text] [Fonseca] Friends: The exploratory talks between Panama and the United States on the possible permanence of U.S. bases after the year 2000 should have started today. The economic compensation that our country should receive for this military presence is the issue that suspended the initiation of those talks. Our newscast director, Lucas Aleman, and President Ernesto Perez Balladares talked about this issue.

[Perez] As soon as President Clinton brought up the subject of the possible permanence of a limited number of U.S. soldiers in our country after the year 2000, I told him that I would accept his request to start exploratory talks on the subject because I had inferred that the Panamanian people also wanted those talks as several polls revealed that between two-thirds and 80 percent—depending on the poll—of the Panamanians wanted this possibility explored.

However, I accepted the talks convinced that the reason for the people's response—the polls did not give

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reasons—was, in my opinion—and I have to interpret the people's will—eminently political, excuse me, eminently economical. That is to say, the Panamanian people saw an economic benefit in allowing the United States to stay in Panama beyond the year 2000.

Later on, two distinguished U.S. representatives—one military and the other a diplomat—made statements. They were made just a few days before the talks started and since they were public statements, my government was compelled to tell them that we thought it was useless to sit down at a table to explore the issue if the Republic's main interest was not going to be broached. We told them that it was preferable then, to postpone talking about the issue, the initiation of the exploratory talks, until the United States had a position that was closer to ours in regards to offering tangible benefits.

I do not think this is the moment to elaborate further on the meaning of tangible benefits but, evidently, they are economic benefits that will result in better days, from the economic point of view, for the inhabitants of the Republic.

[Aleman] Last week, the U.S. Ambassador to Panama pointed out that the sole fact of giving maintenance to the military bases would be enough compensation for Panama to allow U.S. military permanence in the country after the year 2000. Do you believe this is adequate compensation?

[Perez] Evidently, maintenance is not a benefit. For us, it is not a benefit.

[Aleman] It is a [words indistinct] benefit....

[Perez interrupting] No, no, it is no benefit for us. A benefit is much more than maintenance. This is not enough. Yes, we could say that maintenance is necessary. Yes, it is necessary but it is also necessary for them to be able to use those installations. So, it is not a benefit for the Republic. In any case, it would be a benefit for the United States.

There are different ways to get tangible benefits. However, they have to be benefits that people perceive as tangible and, in effect, be tangible benefits directly related to the U.S. presence in the country. It would be senseless if this is not so. It would be senseless to allow them to remain and use locations, installations, and areas that belong to the Republic—they will formally and legally belong to the Republic on 1 January 2000—if we do not receive any compensation for using them, if there is no tangible benefit for us. We repeat the term, tangible benefit, because it explains the concept adequately. We cannot allow the use of areas and installations that could generate revenues for the Republic and not receive, at least, a compensation for the revenues we will not receive.

[Aleman] Eventually, if a negotiation is reached on this issue with the United States, it will have to go to a referendum. A current poll revealed that 93 percent of the Panamanians are against, for example, the wage increase given to the ministers. Do you think that people would vote no in a plebiscite, if we go to one at any given time, to punish your government administration?

[Perez] Possibly, but it is also possible that they vote yes to reward it. However, I believe it is absurd to presume this or to suggest it currently when we are not even negotiating or exploring the issue and much less thinking about going to any plebiscite.

[Aleman] How do you think the Panamanians have viewed your presidential mandate up to now? There have been a lot of criticisms, especially, on the wage increases given to the ministers.

[Perez] Look, this is the most foolish criticism that can be done because we have made extraordinary advances in the 15 months of my government. The past nongovernment, for example, was incapable of making those advances in its five-year term and the prior governments did not realize them either. They were advances that were absolutely necessary but that required in-depth changes. And, we achieved those advances in a climate of peace, consultation, democracy, and respect. No one has been persecuted, imprisoned, exiled, or any of those things. During this time, we have made in-depth changes to the government structures, in our labor, economic relations, in the creation the necessary structure for the modernization of the government. I believe it is absurd to view my 15 years [as heard] and criticize it for a specific incident, for a wage increase that I am sure will never be accepted.

Bulletin Cited on Internal U.S. Divisions on Base Issue

PA3011152195 Panama City LA PRENSA in Spanish 29 Nov 95 p 1a

[By Betty Brannan Jaen, in Washington]

[FBIS Translated Text] The INSIDE THE PENTAGON bulletin reports that the Defense Department and NSC disagree on whether it would be feasible for some military bases to remain in Panama beyond the year 2000, proving that the U.S. Government has yet to take a stand on this issue. The report, dated 16 November and based on information from unidentified government sources, contends that the three branches of government are considering the feasibility of the bases remaining in Panama, specifically with regard to the cost, the type

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of force, numbers, and specific duties. INSIDE THE PENTAGON adds that after several meetings at the Pentagon and agencies involved in foreign policy, "the U.S. Government has yet to decide on the number of troops it would like to retain in the region, where they would be housed, or the source of funds to pay for their continued presence."

General Barry McCaffrey, chief of U.S. Southern Command, suggested this past August that the United States leave about 5,000 soldiers on Panama's bases; however, he recently has "shown more flexibility" on the issue, now proposing that 3,000 soldiers would be sufficient to meet the region's strategic needs. The bulletin adds that the U.S. Army and Air Force are reluctant to agree to the 3,000 proposed, that the Defense Department has recommended a force of only 1,000, and that the NSC has indicated that it would prefer minimal or even no presence at all. The NSC is responsible for coordinating the Clinton administration's position on the bases. The bulletin notes that the Army also disagrees with McCaffrey on the purpose of a military presence in Panama, which is why it is most likely backing the proposal of only 1,000 soldiers. In contrast, the Air Force supports McCaffrey's proposal. While it is apparently interested in Howard Air Force Base, it "is not inclined to pay for it," INSIDE THE PENTAGON stipulates with respect to a lease. The bulletin explains that the Army and Air Force had already estimated how much would be saved with the closing of the bases in Panama and now claim that they do not have the necessary funds to maintain a presence in this country.

One suggestion is that most of the troops who remain in Panama after the year 2000 be from the Army. This would mean that the Army would bear the cost of maintaining a military presence in Panama, as well as the cost of running Howard Air Force Base. The Army has rejected this attempt to make it responsible for the bases in Panama by claiming that it does not have the necessary funds to do so.

INSIDE THE PENTAGON contends that internal divisions within the U.S. Government confirm that the Panama base issue is more commercial than military, "with a greater significance placed on the economic relations of the two countries rather than any concern over threats to the Canal or to the region."

Despite the fact that it is McCaffrey who has recommended a greater number of troops on the isthmus, he admitted in September that he does not see a "vital interest" in maintaining a military presence in Panama. Nevertheless, McCaffrey seems to feel that it would be unwise to close the only air base in Latin America if it could be operated at a lesser cost than what Howard currently costs.

The Commerce Department and other U.S. agencies have noted this past year that U.S. businesses interested in investing in Panama want the United States to maintain a military presence on the isthmus. Federal Express is considering an operation on Howard if that base is not closed, INSIDE THE PENTAGON says.

It adds that diplomatic sources have said that the Panamanian Government will not charge rent for the bases, but seeks to give the impression that the United States and Panama have a relationship as "partners."

New PTJ Director, Deputy Director Appointed

PA0112022995 Panama City Telemetro Television Network in Spanish 1730 GMT 30 Nov 95

[Report by Julia Elena Alvear; from the "Telemetro Reports" newscast]

[FBIS Translated Text] Attorney General Jose Antonio Sossa has officially announced the names of the new director and deputy director of the Judicial Technical Police [PTJ].

[Begin Sossa recording] Alejandro Moncada, who is currently deputy minister of the Presidency, has been appointed PTJ director. He is a lawyer, specialized in penal law. As deputy director we have appointed Inspector Ramiro Jarvis, who is currently chief of the Narcotics Division. I believe that with this appointment, Inspector Jarvis not only honors and distinguishes what has been a dedicated and exemplary professional career. His example should encourage the rest of professionals who currently work in the PTJ.

Sossa also announced that outgoing PTJ Deputy Director Javier Cherigo will be circuit court prosecutor effective 16 January 1996.

Those were not the only announcements made by Sossa. He also accused those who do not support an increase in the budget for the Attorney General's Office of being part of a criminal conspiracy.

[Sossa, recording in progress] ...which jeopardizes the credibility and responsibility of our work, and even endangers the possibility of obtaining the international aid and donations we have been receiving from abroad, since we have not had any local support. All this, dear friends, conspires against the correct administration of justice. It only favors the development of national and international crime. [end recording]

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Argentina

Reportage on Alleged Weapons Sales to Croatia

'Secret' Customs Report

PY3011162695 Buenos Aires CLARIN in Spanish 29 Nov 95 pp 2, 3

[Report by Daniel Santoro; copyrighted by CLARIN]

[FBIS Translated Excerpt] According to a secret report to which CLARIN had exclusive access, Argentina had been supplying about 6,500 metric tons of arms and ammunition to Croatia between 1991 and 1995 despite the fact that the United Nations had been implementing a military embargo until last week. The sales operations included 36 high-caliber guns, more than 25,000 FAL [light automatic rifle] weapons, short-range Pampero missiles, landmines, grenades, and thousands of metric tons of ammunition of various calibers.

The arms were formally consigned to Panama, but this country denied having received the arsenal.

This huge shipment was sold by the Military Industries to Uruguayan ghost companies — which acted as go-betweens — for about $35 million. Nevertheless, it is believed that Croatia paid a significantly higher amount due to the risks involved in a clandestine operation on the international arms market.

Crossing the Ocean

According to a secret report that customs supplied to Argentine Attorney General Cesar Aguero Iturbe, Federal Judge Jorge Urso, and Economic Criminal Judge Marcelo Aguinsky, who are investigating various cases involving arms sales to foreign countries, the arms and the ammunition were carried by seven ships directly or indirectly contracted by Croatia Line. [passage omitted]

To allow the shipments to leave our country, they were consigned "to Panama" through an alllegedly counterfeited end use certificate [certificado de uso final] that was accepted by the government.

As CLARIN reported on 20 November, and as established by court investigations, these arms actually were sent, through third countries, to Croatia. Jerry Wilson, the Panamanian Institutional Security bureau chief, emphasized that Panama has not received any Argentine arms for the past three years. After the U.S. invasion of 1989, Panama does not have any Armed Forces.

Juan Bautista Yofre, former Argentine ambassador to Panama, and his successor, Alejandro Mosquera, told CLARIN that Argentina has not been supplying any weapons to that Central American country since 1989.

According to all these data, the shipments made to Croatia, with Panamanian coverage, were authorized by secret decrees No. 1697 of 27 August 1991, No. 2283 of 31 October 1991, and No. 103 of 24 January 1995, signed by President Carlos Menem. Decrees No. 1697 and No. 2283 were also signed by then Defense Minister Erman Gonzalez, Foreign Minister Guido Di Tella, and Economy Minister Domingo Cavallo. Decree No. 103 was also signed by Di Tella, Cavallo, and Defense Minister Oscar Camilion, who had already replaced Gonzalez.

Defense Minister Denies Sales

PY3011165395 Buenos Aires TELAM in Spanish 1313 GMT 29 Nov 95

[FBIS Translated Text] Buenos Aires, 29 Nov (TELAM) — Defense Minister Oscar Camilion today emphasized that Argentina has not officially sold arms to Croatia.

In remarks to Radio La Red and Radio Del Plata, Camilion emphasized: "Argentina has not officially sold even a revolver to Croatia."

The minister added: "Argentina does not have any type of direct trade with Croatia." Therefore, he rejected a report that the newspaper CLARIN published today, in which it is pointed out that "6,500 metric tons of arms had allegedly been sold between 1991 and 1995" to that country of the former Yugoslavia.

Camilion noted: "In due time, Argentina raised a proposal before the United Nations to have this issue investigated." He pointed out: "It is not a simple thing to violate the NATO blockade or the arms embargo implemented by the United Nations."

The minister indicated: "It has been possible for Croatia to purchase arms in many countries in the world through all the mechanisms available for such transactions."

Menem: No Sales to Croatia, Ecuador

PY3011175595 Buenos Aires TELAM in Spanish 1418 GMT 29 Nov 95

[FBIS Translated Text] Buenos Aires, 29 Nov (TELAM) — President Carlos Menem today emphasized that Argentina has not sold any arms to Croatia or Ecuador. He noted that investigations are under way to determine whether any operations involving third countries have been carried out.

The president told Radio El Mundo that "there is no such thing as direct arms sales" to Croatia and Ecuador.

Menem emphasized that the arms "were sold to countries like Panama and Venezuela." Nevertheless, he

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noted that if there were any operations involving third countries, "the people responsible for them will have to pay the consequences."

Menem was asked about a report that the newspaper CLARIN published today. The report points out that "Argentina had allegedly sold 6,500 tonnes of arms to Croatia between 1991 and 1995, violating an embargo implemented by the United Nations."

Menem noted: "Reports of this magnitude are being investigated, but all the arms that are being sold or have recently been exported from Argentina were sold to countries like Panama and Venezuela."

The president explained: "The investigations are focusing on what happened after the sales to those countries, but there were no direct arms sales to Croatia, as suggested by CLARIN's headline, or Ecuador, as Argentina is a Rio de Janeiro Treaty guarantor country for achieving final peace in that zone."

Menem was also asked whether the responsibility for violating an arms embargo falls on the third country involved in the operation or the country exporting the arms.

The president said the responsibility "falls on the purchaser." He added: "Argentina has sold arms to Panama. Investigations are still under way to determine whether the arms that ended up in Ecuador are those that allegedly were sold to Venezuela."

Menem said in concluding: "The investigations are under way. It is necessary to have patience. If the sales operation has been struck with the goal of using a third country, the people responsible for this will have to pay the consequences. It is as simple as that."

Armed Forces Restructuring Outlined by Military Chiefs

PY3011221595 Buenos Aires LA NACION in Spanish 29 Nov 95 p 4

[Article by Eduardo Barcelona]

[FBIS Translated Text] Defense Minister Oscar Camilion said last night that the mentality has changed within the military sector, in that "they no longer consider the coup d'etat as a remedy." General Mario Diaz, chief of the Joint Staff, confirmed that the military organization is working on a draft law to guide the restructuring of the Armed Forces, as published by LA NACION. [Army Commander] General Martin Balza stated that he has not received any offer for the 900 hectares that is for sale in Campo de Mayo.

These remarks by those who head the defense sector in Argentina came during the "Tiempo Nuevo" program that is anchored by Bernardo Neustadt. Navy Commander Admiral Enrique Molina Pico and Air Force Commander Brigadier Juan Paulik also participated in the program.

These officers offered abundant data to support the need for a change in the current military structure, which for years has not carried out its main mission: to guarantee the defense of the country. For the past few months, the military chiefs who participated in last night's television program have, in secret meetings in Congress, described the difficulties that prevent them from being real professionals.

Their participation in this television program was an attempt to publicize the difficulties, and to explain what the military sector is doing to change its image and to be part of the second reform of the state, as one military man stated.

The idea of participating in the television program came from Camilion, who one day last week asked one of his young aides to arrange the participation of the military chiefs in the "Tiempo Nuevo" program.

The points on which the military men agree will form the basis, the cornerstone for a future reorganization. The points are:

— That the defense policy should be explained;

This asks if it should be discussed, or talked about, that the Argentine state is promoting measures of mutual confidence with neighboring countries. This could be contained in a White Book on Defense.

— To exchange quantity for quality;

An an example of this is the elimination of obligatory military service and its replacement with voluntary military service. This system allows a cut in the number of personnel, while the quality of military preparation has improved.

Another objective of this idea is the creation of mobile military units with a high firepower and a great flexibility of action. What does this mean? It means dropping the current Army system, which involves occupying large tracts of the national territory, and adopting a system of concentrated forces at one focal point. Their extraordinary mobility will able them to arrive at any point in the country within a few hours.

— The approval of a long-term law to guarantee adequate funds for the Armed Forces for a period of years;

The military men say they do not want more than has been assigned to them in this year's budget, but they ask

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that this should not be reduced. They say they also need to manage their budget in an overall manner. This means that if they save money in one area, it should remain within the Armed Forces to finance other aspects of the restructuring program.

In other words: They want an Army green convertibility law just like the convertibility law that sustains the revived Argentine peso. The model for this law would be the educational budget that the Economy Ministry and Congress respect: No one touches it, period.

If the government and the Armed Forces are able to implement these ideas, and if within a period of five years the assumptions of the chiefs last night are carried out, then within five years we will have very professional military men who will command respect and dissuade any potential enemy of Argentina; they will also have recovered their social respect for achieving efficiency.

Visiting Brazilian Vice President Meets With Menem

PY0112014395 Buenos Aires TELAM in Spanish 2120 GMT 30 Nov 95

[FBIS Translated Text] Buenos Aires, 30 Nov (TELAM) — Brazilian Vice President Marco Maciel today highlighted the symmetry between his country's economic process and that of Argentina, and reiterated the promise of bilateral and regional cooperation.

He said: "Argentina and Brazil are experiencing an excellent time of reform and we must promote the globalization movement that will bring significant benefits for the development of the two nations."

The Brazilian vice president, who is on an official visit to our country, made this remark at the end of a meeting with President Carlos Menem at Government House.

"President (Fernando Henrique) Cardoso and I have high esteem for Dr. Menem and we appreciate his government task. We believe personal contacts help to develop joint efforts and benefit the two countries," the visitor said.

Maciel said Presidents Menem and Cardoso "will have the opportunity of personal contact during the upcoming Mercosur [Common Market of the South] meeting on 6 and 7 December in Punta del Este."

"It will an appropriate occasion to talk about bilateral and regional interests," Maciel said.

The vice president informed the chief of state of the reforms undertaken by Brazil with an eye to opening its economy and the participation of private enterprises in the management of essential services for the population.

A Foreign Ministry spokesperson accompanying the vice president during his visit said: "Maciel stressed that the process of constitutional reform being undertaken by Brazil is irreversible."

The reform of the Brazilian Constitution is essential if there is to be progress in the privatization process and in the reform of the state because the current Constitution sets precise limits on the participation of private enterprises in certain sectors.

The spokesperson said: "Maciel expressed interest in the overall advantages of the Santo Tome-San Borja bridge," which is being constructed by Argentina and Brazil with international financing.

The Brazilian vice president arrived this morning at 1100 at the metropolitan airport. He visited Menem at 1145 at Government House.

Foreign Minister Guido Di Tella, Foreign Ministry officials, and members of Maciel's entourage also participated in the meeting.

Vice President Carlos Ruckauf hosted a luncheon for Maciel at noon today in the dining room of the Foreign Ministry.

Maciel later visited his country's consulate. During the afternoon he held a lengthy meeting with members of the Southern Forum, an organization that includes politicians and experts in matters of internal policy.

At 1830 the Brazilian vice president greeted the board members of the Argentine International Relations Council, and tonight he will host a dinner for Ruckauf at the Brazilian Embassy.

At 0830 on 1 December Maciel will share a working breakfast with representatives of the Southern Forum at the Brazil Group at the Hotel Alvear Palace, and then go to the airport's military sector at 1100 to return to his country.

Brazil

Reportage on Amazon Region Surveillance System Affair

Sarney Wants U.S. To Explain Brown's Remarks

PY3011224595 Sao Paulo AGENCIA ESTADO in Portuguese 2150 GMT 30 Nov 95

[FBIS Translated Text] Brasilia, 30 Nov (AE) — Senator Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa], president of the Brazilian Congress, will ask the Foreign Ministry to lodge a request for information with the U.S. Government

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about remarks attributed to Commerce Secretary Ron Brown, who contended that Brazilian congressmen are coordinating with the Thomson group an attempt to cancel a contract signed by the Brazilian Government with Raytheon for the implementation of the Amazon Region Surveillance System [Sivam].

Sarney announced his intention to ask for the Foreign Ministry's assistance during a meeting with leaders of opposition blocs in the Chamber of Deputies, who asked Sarney to support the creation of a Congressional Investigating Committee [CPI] on the Sivam case.

Deputy Jacques Wagner, leader of the Workers Party bloc in the Chamber of Deputies, said after the meeting that Sarney would not oppose the creation of a CPI if it is backed by the required number of signatures.

'Formula To Revise' Contract Sought

PY0112001795 Sao Paulo AGENCIA ESTADO in Portuguese 1932 GMT 30 Nov 95

[Report by Joao Domingos and Rosa Costa]

[FBIS Translated Text] Brasilia, 30 Nov (AE) — The Senate and the administration are already negotiating a political solution to the Amazon Region Surveillance System [Sivam] project. This solution could entail a revision, and even the suspension of the contract signed with the U.S. company Raytheon. Senator Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo], who is the government leader in the Senate, has said that there is a consensus among political parties that it is necessary to find a technical and political formula to revise the Sivam contract.

Senator Jader Barbalho [Para], PMDB [Brazilian Democratic Movement Party] leader in the Senate, yesterday met with President Fernando Henrique Cardoso. Barbalho said he does not rule out restarting the project from square one. He complained about a special committee chaired by Senator Antonio Carlos Magalhaes (PFL-BA) [Bahia] that is investigating Sivam. He said this committee is not doing its job of investigating Sivam.

Barbalho mentioned a proposal to create a Congressional Investigating Committee (CPI). Cardoso told him this should not be necessary, but that he would respect the solutions worked out by the Senate. Barbalho and Cardoso even discussed the fine the government will have to pay to cancel the Sivam contract: $3.5 million. Before meeting with President Cardoso, Barbalho met with Senate President Jose Sarney (PMDB-AP) [Amapa], who told him the administration would not accept any CPI.

The technical solution the administration is seeking must be found by Senator Ramez Tebet (PMDB-MS) [Mato Grosso do Sul], who is serving as rapporteur of the special committee on Sivam. In his final report, in which he will sum up the findings of the committee, Sen. Tebet may propose solutions to the Sivam project. The Economic Affairs Committee will thus vote on Tebet's report, instead of the one submitted by Senator Gilberto Miranda (PMDB-AM) [Amazonas], which was rejected by the administration.

The difference between the reports of Ramez Tebet and Miranda lies in the revision of the contract. Tebet will propose that Sivam be maintained, while Miranda proposes the shelving of the project. Sen. Alvares; Barbalho; and Deputy Luiz Carlos Santos (Sao Paulo), leader of the PMDB bloc in the Chamber of Deputies; support the revision of the contract with Raytheon.

The Federal Police wiretapping of the home phone of former Planalto protocol chief Julio Cesar Gomes dos Santos raised suspicions of influence-peddling in favor of Raytheon against Gomes dos Santos.

Dismissal Provokes 'Confrontation', 'Crisis'

PY3011233195 Sao Paulo ISTOE in Portuguese 29 Nov 95 pp 24-25

[Article by Helio Contreiras: "The Blue Collar Crisis"]

[FBIS Translated Text] The wiretapping incident at Planalto Palace has provoked the first confrontation between officers of the Brazilian Air Force [FAB] High Command and the president of the Republic in the post-military dictatorship era, and it comes close to unleashing an institutional crisis. This is also the first incident in which the president of the Republic, who is the commander in chief of the Armed Forces, has been harshly attacked by FAB senior officers. In a statement released early last week in support of outgoing Aeronautics Minister Mauro Gandra, and targeting President Fernando Henrique Cardoso, the eight FAB High Command members said: "A rigorous investigation of the facts will show that reaching hasty conclusions is a mistake." Further expressions of solidarity with Gandra are scheduled for this week.

Despite President Cardoso's initiative of hosting a luncheon for Gandra at Planalto Palace on 23 November, an atmosphere of dissatisfaction persists within the FAB in light of the circumstances that surrounded Gandra's dismissal. The crisis began on 19 November following the publication by ISTOE of the telephone conversations taped by the Federal Police [PF], which revealed that Brigadier Gandra had been a guest for three days of Jose Afonso Assumpcao, owner of Lider Taxi Aereo and representative of Raytheon.

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Arriving in Brasilia on 20 November to tender his resignation to President Cardoso, Gandra expected Cardoso to confirm him in his post. He had already advised other officers that he would attend a flag-raising ceremony at the Tres Poderes square. Gandra strongly complained to Cardoso: "Mr. President, phone tapping is not a democratic tool." Yet, the president seemed to have his ears blocked.

After losing his post, Gandra left Planalto Palace disappointed. His mood prompted an immediate reaction by Brigadier Ulysses Correa Netto, the FAB chief of staff, who was in line for Gandra's post and who was named by Planalto Palace as the new aeronautics minister.

On 19 November, upon returning to Brasilia from an official visit to Venezuela, Correa Netto told ISTOE: "I am not the new aeronautics minister. I cannot accept the circumstances in which Gandra was dismissed, making him a 'scapegoat.'" Correa Netto immediately filed for his transfer to the reserves.

Correa Netto's decision left the FAB in an unusual situation — that is: without a commander for 48 hours, a fact that a brigadier on active duty described as "extremely serious." Following Gandra's dismissal on 19 November and Correa Netto's refusal to replace him, the post of aeronautics ministry should in theory go to the most senior officer in the Air Force — that is: Brigadier Sergio Xavier Ferolla. Yet, presidential advisers told Cardoso that Ferolla was "a man of the PT [Workers Party]" because in his speeches he has shown he is inclined toward the PT. Although Ferolla rejected the allegation, he did not become minister.

The crisis reached its peak on Monday, 20 November, when the FAB High Command issued a communique of solidarity with Gandra and rumors began to spread about support for this at FAB air bases. The situation turned even more difficult for Cardoso when, still on 20 November, members of the Superior Military Court — Brigadiers Jorge Jose de Carvalho, Cherubim Rosa Filho and Carlos Batista — also expressed solidarity with Gandra.

On the evening of 20 November, Cardoso turned to Brigadier Lelio Lobo, who despite having retired from the Air Force is capable of defusing the crisis. After all, it was Lobo who, as aeronautics minister of the Itamar Franco administration, chose Gandra as Air Force chief of staff and later sponsored his appointment as minister.

The FAB crisis is under control, at least from the outside. Yet, according to some brigadiers, the crisis provoked irritation in Air Force barracks because of Gandra's dismissal. The situation is all the more worrisome because it comes at a time when there are factors of dissatisfaction: the need to maintain 100 planes that cannot be used due to lack of parts, a delay in the modernization of at least 50 planes, difficulties to finance training flights, and other financial problems that could affect maintenance and could have a bearing on accidents.

Cardoso Promises To Take 'Fitting Action'

PY3011141095 Sao Paulo AGENCIA ESTADO in Portuguese 0008 GMT 30 Nov 95

[Report by Rosa Costa]

[FBIS Translated Text] Brasilia, 29 Nov (AE) — President Fernando Henrique Cardoso has asserted in a letter sent today to Senator Gilberto Miranda (PMDB-AM) [Brazilian Democratic Movement Party-Amazonas] that he will not hesitate to take "fitting action" if the charges that the Amazon Region Surveillance System (Sivam) project has been altered without the government's and the Senate's knowledge are confirmed. President Cardoso warned: "I am sure that Your Excellency pondered your words well before asserting that former President Itamar Franco, myself, the Senate, and Your Excellency have been fooled by a committee comprised of Aeronautics officers."

President Cardoso said he withdrew ESCA [Automation and Control Systems Engineering] from the project because charges that ESCA had forged a document on the payment of contributions to the National Social Security Institute had been confirmed. Cardoso also pointed out that he had learned from Senate President Jose Sarney (PMDB-AP) [PMDB-Amapa] that Miranda was ready to make a favorable report on Sivam but wanted to have a meeting with President Cardoso first. "This is why we held that meeting, during which Your Excellency merely confirmed Senator Sarney's words and said that you were willing to approve the project," President Cardoso said in his letter.

Tomorrow, Senator Gilberto Miranda will decide whether he will send a letter to the president with his answer or comply with Senator Sarney's request that he "let the situation cool down" instead of handling the issue as if he were a member of the opposition.

Sen. Miranda: Radar Prices Were Changed

PY3011184195 Rio de Janeiro JORNAL DO BRASIL in Portuguese 29 Nov 95 p 5

[FBIS Translated Text] Brasilia — Senator Gilberto Miranda (PMDB-AM) [Brazilian Democratic Movement Party-Amazonia], rapporteur of the Amazon Region Surveillance System (Sivam) bill in the Senate, yesterday sent to President Fernando Henrique Cardoso a document accusing Brigadier Marco Antonio de Oliveira,

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president of the Sivam Coordinating Committee (CCSivam), of having irregularly changed the radar purchase contract. According to Miranda, Brigadier Oliveira intended to buy lesser quality radars to guarantee remnant funds that would be used to reequip the Brazilian Air Force (FAB).

A source from the Strategic Affairs Secretariat (SAE) yesterday told JORNAL DO BRASIL that because there has been company selection process (authorized by the National Defense Committee) rather than a public bid calling, the radar supply agreement could be changed — just as it has been — before the contract was signed with Raytheon Company on 27 May 1995. According to the source, the CCSivam had reached an agreement with Westinghouse for the supply of eight air transportable radars (mobile units coupled to airplanes). It so happens that, according to the SAE, it was discovered "on time" that another U.S. company, the Martin-Marietta, had more modern and cheaper radars.

An SAE official working in the Sivam project asserted that the Westinghouse radars, despite their proven efficiency, have been in the market for the past 20 years, which has forced the company to make several adaptations to the original model. The Martin-Marietta model, the SAE official said, has the advantage of being a novelty in the market, and therefore made within the framework of the most modern standards of telecommunications technology. It is not known, however, whether the Martin-Marietta radar is as efficient as that of Westinghouse. Besides this, these radars will have to undergo adaptations in their structure — without any cost increase, the SAE claims — to be placed on the C-130 airplanes of the FAB.

Airplanes

The SAE denies that the FAB is interested in using the remnant Sivam funds to reequip its fleet. This is mainly because the supply contract with Raytheon includes 12 new airplanes: eight Brasilias manufactured by Embraer [Brazilian Aeronautics Company] and four HS models, which are manufactured by Raytheon. The Brasilias, which are medium-sized turboprops, will carry air traffic control and remote sensoring radars. The HS, which are small executive jets, will come converted into laboratory airplanes, used to test the efficiency of the flight protection support equipment.

"Either we technically improve the project, or we open a CPI [Congressional Investigative Committee]. The rest is nonsense," Miranda said defiantly in the Senate, as he confirmed that he has learned about the irregularities in the project and was therefore making them public.

"If you want to do something macho, let us create a CPI and not a sham committee," Miranda said. "The contract values were changed. We were all deceived. The committee deceived former President Itamar Franco, President Cardoso, and the Senate," he said.

Environment Minister Defends Project

PY3011140995 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 30 Nov 95

[FBIS Translated Excerpt] Gustavo Krause, environment and water resources minister, has defended the Amazon Region Surveillance System [Sivam] project as a tool to fight the practice of burning of fields and drug trafficking, as well as to ensure a sustained exploitation of mineral prospecting activities. Minister Krause also said that his ministry will intensively use data collected by the Sivam project on the largest natural asset in the world. He added that this data will serve to facilitate human settlement [ocupacao organica] of the Amazon Region territory. According to Krause, control of an area such as that of the Amazon region — which represents 60 percent of the Brazilian territory and has the largest fresh water reserves in the world — can only be achieved through flexible and responsive policies, technology, and institutions.

Minister Krause attended the ceremony in which Olinda Mayor Germano Coelho and Sergio Krone, who is the superintendent of the Rio de Janeiro Botanical Garden, signed agreements for the reactivation of the Horto do Rei. This is Latin America's first botanical garden, and it was created in 1817. [passage omitted]

German Economy Minister Views Increased Investments

PY0112011195 Sao Paulo FOLHA DE SAO PAULO in Portuguese 20 Nov 95 Section 1 p 4

["Exclusive" fax interview with German Economy Minister Gunter Rexrodt on 19 November; place not given]

[FBIS Translated Excerpt] [FOLHA] What is the objective of your visit to Brazil?

[Rexrodt] I will be accompanying President Roman Herzog on his official visit to the country. [passage omitted]

[FOLHA] Why has Brazil been chosen as the headquarters abroad of a large German technology fair?

[Rexrodt] German industry has interests so broad that it has active roles in all countries of the world at the same time. German enterprises indicate that through their activities worldwide.

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Activities within the framework of Latin American initiatives must be seen as a new strategy to stimulate economic relations with Latin America. Their main objective is to focus attention on the growth of the Latin American markets. Febral 95 [Brazil-Germany Fair of Technology for the Common Market of the South, Mercosur] is the main event of this visit.

Febral is being held there because we have no doubt that Brazil has definitively returned to the international economy scenario. As a result of improvements in the Brazilian economy, and investments announced for the Mercosur, the German industry of capital goods has, again, the opportunity to increase its presence in Mercosur. Febral represents a new chapter in the German policy toward Brazil.

[FOLHA] How can the German Government help industry to transfer high technology to Brazil?

[Rexrodt] The German Government is very interested in developing relations with Brazil. In 1995, we have taken three steps to promote economic relations abroad: the strategy the government has launched for Latin America; the Latin American Conference on German Industry, which was held in Buenos Aires and successfully attended by the Mercosur member countries; and now Febral.

The following initiatives also seek to increase the participation of German enterprises in the Brazilian economy: more liberal participation in trade and investment in Brazil, trade mission visits to Brazil, new conferences to be organized in Latin America, improved and wider services to be rendered by the German chambers of commerce, an active policy regarding business fairs like Febral, the adjustment of credit insurances on exports, a continuously positive business trend, promotion of direct investment, and increased cooperation in the political field.

[FOLHA] Next to the United States, Germany is second on the list of nations that invest most in Brazil. The flow of investments, however, has been modest over the past few years. What are the prospects for new investments in Brazil?

[Rexrodt] The confidence of German companies in the Brazilian economy is shown in the amount of direct investments being made. The volume of direct and indirect investment in Brazil totalled $7.57 billion at the end of 1993, while the total invested in the whole of Latin America in the same period totalled $12.78 billion.

The successful constitutional reform implemented by President Fernando Henrique Cardoso — which was based on the opening of the economy to the international market — and the various initiatives by the German Government to strengthen economic relations with Brazil will give a new drive to bilateral trade.

Finance Minister Refutes Rumors of Financial Crisis

PY0112001495 Rio de Janeiro O GLOBO in Portuguese 29 Nov 95 p 33

[FBIS Translated Text] Brasilia — Finance Minister Pedro Malan used an arrogant tone during a briefing session before the Senate Economic Affairs Committee on 28 November. This produced an immediate reaction from some senators, so much so that Malan was obliged to apologize on three occasions.

The finance minister said criticism leveled at the Proer [Program to Encourage the Reorganization of Strengthening of the National Financial System] had ulterior political motives. He termed the spreading of rumors of a crisis in the financial system as "irresponsible behavior."

Malan stated: "History shows that rumors become self-confirmed prophecies."

The finance minister refuted accusations by Senator Esperidião Amin [Progressive Renewal Party-Santa Catarina] (SC), who claimed that the government has given preferential treatment to banks at the expense of other sectors.

Amin said: "What applies to ordinary mortals does not apply to banks. Banks are immortal."

Malan retorted: "Banks are not immortal. The National Bank is no longer a bank, and others too will cease to exist." The finance minister insisted that he had no connection whatsoever with the financial system. He said the Proer seeks to protect customers and to facilitate the adjustment of the financial system by fostering mergers and consolidations.

In his briefing, Malan recalled the aid given to the agricultural sector by the incumbent administration, using a play on words.

"The Cardoso administration deemed that the agricultural sector should be given credit," he said. The finance minister said it was pointless to implement a program to strengthen Brazilian industry.

Summoned by Congress to explain the changes in the financial system, Malan frustrated senators and deputies when he declined to disclose any additional information about the negotiations of the consolidation of the National Bank and Unibanco. The finance minister declared that it is not yet possible to know the value

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of the operation, as the assessment of the National Bank's assets has not yet been concluded. Central Bank President Gustavo Loyola, who also participated in the briefing session, reported that the collateral presented by the National Bank will enable financing to the tune of 4 billion reals, and that the rate of interest on the credit to be granted is equivalent to the TR [Reference Interest Rate] plus 10 percent.

Malan tried to explain why the National Bank and the Economico Bank were treated differently. He argued that the shareholders with majority control of the National Bank decided to sell the bank and that there were at least two candidates interested in purchasing that establishment, whereas the Economico Bank shareholders were not interested in selling it, and nobody was interested in buying it.

Senator Roberto Requiao (PMDB-PR) [Brazilian Democratic Movement Party-Parana] told Malan that criticism voiced by senators unnerved him and that "the Central Bank president's threat to apply the white collar law to those who give false information on financial institutions" further unnerved him. Shortly before that, Loyola said the Central Bank would take action against rumors concerning the financial system.

Senator Pedro Simon (PMDB-RS) [Rio Grande do Sul] and Deputy Milton Temer (PT-SP) [Workers Party-Sao Paulo] joined discontented congressmen in criticizing the way the administration is conducting negotiations with the financial system. Deputy Temer announced that the PT will file a request before the office of the Comptroller General so that it may probe the cost of bailing out banks that will be defrayed by the Treasury.

Malan Announces Plan To Restructure Debts of States

PY0112012395 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 30 Nov 95

[Report by Arlete de Oliveira]

[FBIS Translated Text] Finance Minister Pedro Malan has launched a program to restructure the debts and to promote fiscal adjustments in the states.

The federal administration is making three credit lines available to debtor states: one emergency credit line; another line to finance the dismissal of public servants; and one to allow ARO [Budget Revenue Advance] debts to be converted into long-term debts at lower interest rates. The Federal Savings Bank [CEF] will play the role of a financial agent by supplying funds for these loans. Payment terms will range from 18 to 36 months.

Those governors willing to take advantage of these credit lines will have to meet six [as heard] requirements, which will be specifically outlined in the respective loan contracts. First, governors must reduce public servant salaries to 60 percent of the state revenues; they must formulate programs to implement privatizations and concessions of public services; they must increase revenues and guarantee minimum revenues; and, finally, the states must reduce their debts.

Text of Measure To Fortify Financial System

96SM0022A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 95 p B7

["Text" of a measure submitted to the president of the Republic by Minister of Finance Pedro Sampaio Malan on 17 November 1995 to strengthen the financial system: "Explanatory Statement Advocates Preventive Action by BC"]

[FBIS Translated Text] Brasilia, 17 November 1995.

To His Excellency the President of the Republic:

I have the honor to submit to Your Excellency a provisional measure dealing with the inalienability of assets owned by those possessing a controlling interest in financial institutions that are the object of intervention and extrajudicial liquidation as provided by Law No. 6,024 dated 13 March 1974 or of temporary special administration as provided by Decree-Law No. 2,321 dated 25 February 1987, with reorganization measures of a preventive nature that may be adopted by the Central Bank, and with the privatization of institutions whose shares are expropriated under the terms of Decree-Law No. 2,321 dated 25 February 1987.

2. [number as published] Provisional Measure No. 1,179 dated 3 November 1995 provided measures aimed at strengthening the national financial system and promoting the administrative, operational, and company reorganization of institutions belonging to that system. For that same purpose, the National Monetary Council issued Resolution No. 2,208, also dated 3 November, establishing the Program To Encourage the Restructuring and Strengthening of the National Financial System. That resolution contained measures intended to facilitate the restructuring of the national financial system. For their part, those two policy-setting measures were preceded by Resolution No. 2,197 dated 31 August 1995, which instituted a mechanism for protecting the creditors of financial institutions, their status and regulation being eventually approved by Resolution No. 2,211 of the National Monetary Council dated 16 November 1995.

3. The ultimate purpose of that set of policy-setting measures as adopted by the executive branch is to protect public savings by safeguarding the interests of depositors and investors and to preserve the system's

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liquidity and solvency, the preservation of which is absolutely essential in view of the financial system's character as a catalyst not only in Brazil but also in any complex economy in today's world.

4. The provisional measure now being submitted to Your Excellency is intended to constitute one more step, and one which I regard as highly important, toward ensuring the solidity and health of our financial system. Its main goal is the Central Bank of Brazil's action, both preventive and remedial, to straighten out institutions belonging to the national financial system.

5. The decision to propose the measures contained under this legal heading is based partly on the Brazilian banking authority's actual experience in reorganizing financial institutions over the past 20 years as regulated and limited by the legal instruments governing the matter and partly on the observation of foreign experience and legal practice in that area.

6. The Central Bank's experience with intervention in the administration of financial institutions posing a capital or financial problem—including intervention or extrajudicial liquidation as provided by Law No. 6,024 of 1974 and temporary special administration as provided by Decree-Law No. 2,231 of 1987—is almost invariably criticized either for coming too late or for being premature. It is in fact difficult to conceive of a situation in which there would not be discontent and therefore criticism: either on the part of the controlling entity, which is adversely affected by no longer being able to conduct business at a time it usually considers too early, or on the part of the institution's creditors, who stand to lose money because of an alleged delay on the part of the banking authority—and let it be said in passing that whether there actually is such a delay is clearly a matter of subjective judgment.

7. The provisional measure now being submitted to Your Excellency is aimed at making the Central Bank's action more flexible by allowing it to take *preventive* action in cases where it detects shortcomings in capital or financial operations or a violation of the relevant legal rules. Article 3 of the provisional measure allows the Central Bank, as an alternative to ordering intervention, liquidation, or temporary special administration, but without prejudice to those measures, to adopt preventive measures ordering the capitalization of the company, transfer of its controlling shares, or a reorganization of the company through incorporation, a merger, or a split. That approach, while avoiding the traumatic context of formal intervention in the institution's administration by the banking authority, makes it possible to avoid crisis situations. Moreover, the mere possibility of being subjected to that preventive action by the banking authority is likely to inspire the caution that is indispensable in managing the affairs of financial institutions.

8. The provisional measure now being submitted to Your Excellency also deals with a chronic problem in the pathology of the operations of financial institutions: the liability of a financial institution's controlling interests in cases of intervention or liquidation. According to the legal rules now in effect, liability on the part of those controlling interests exists only in the case of temporary special administration. The result, in cases of intervention or liquidation, is that the assets of the interests controlling an institution that is "broke" have traditionally remained untouched, while the rights of the institution's creditors have been frustrated. That situation will be altered by the provisions of article one of this provisional measure, which extends the joint liability of controlling interests to include cases of intervention and liquidation as well. The result is the introduction not only of a very widespread rule as regards the principle of liability but also of a measure that is intended to improve morals.

9. The same is true of the rule set forth in article two of the provisional measure as regards the inalienability of assets belonging to controlling interests. Until now, the inalienability of such assets applied only to the **directors** of financial institutions subject to intervention, liquidation, or temporary special administration. Under this provisional measure, the assets of the controlling interests will also be inalienable in cases of intervention, liquidation, or temporary special administration. Constituting an exception to that rule of inalienability are assets defined by law as being inalienable or exempt from seizure. For example, the assets of states owning a controlling interest in financial institutions will not be affected. The question of the inalienability of assets arises in cases where alienation is necessary to ensure the very restructuring of an institution with a view to putting it back on its feet through operations to split up, merge, or incorporate the financial institution in question, since such operations will generally involve a transfer of shares to ensure a controlling interest.

10. In our opinion, the joint liability of controlling interests and the inalienability of their assets constitute measures of great importance from the standpoint of their practical effect and their effect in improving morals within the context of the Central Bank's intervention, in the broad sense, in financial institutions. They will therefore constitute a landmark in this area.

11. To make the banking authority's reorganization efforts more effective in practical terms, article four of this provisional measure expands the range of actions that may be taken within the context of intervention, liqui-

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dation, or temporary special administration by the interventor, liquidator, or board of directors respectively. For example, the law will make express provision for the possibility of restructuring a company and transferring its assets. This will make possible operations which, as a result of financial and legal engineering, may lead to the preservation or restoration, with the cooperation of third parties, of institutions in an apparently hopeless situation.

12. Furthermore, article six of the provisional measure makes it possible, at the discretion of the Central Bank of Brazil, for intervention and extrajudicial liquidation to be carried out by legal entities, as already happens in the case of temporary special administration. This may have the effect of optimizing such operations.

13. The concern to ensure that the Central Bank's reorganization efforts are effective is also evident in article seven of the provisional measure, which, in response to a long-expressed desire, makes it possible for the banking authority, in the context of its administrative process, to remove defendants from the management of an institution's affairs right at the start. The same article makes it possible for the Central Bank to prohibit them from assuming positions in the management or administration of any other financial institution and to place restrictions on the scope of activities of the financial institution in question. Such a decision by the Central Bank of Brazil may be appealed to the Council on National Financial System Funds without suspensive effect (paragraph one), and the order will expire if the related administrative process is not completed within 120 days (paragraph two).

14. Articles eight and nine of the provisional measure deal with situations in which the shareholding control of a financial institution is expropriated in accordance with Decree-Law No. 2,321/87, the obvious concern being to prevent the control of institutions subject to intervention from remaining permanently in the hands of the state. The decree ordering such expropriation will include from the start a deadline for returning control to the private sector, and the institution will continue to be governed by the legal system governing private firms pending conclusion of the transfer.

15. Mr. President, the recent Explanatory Statement No. 403 dated 3 November 1995, which accompanied Provisional Measure No. 1,179 of the same date relative to the Program To Encourage the Restructuring and Strengthening of the National Financial System, set forth in detail not only the stages through which the national financial system has passed but also the need for actions and operations aimed at equipping it to fulfill its prime function of attracting savings for investment in productive activities in an economically stable environment where the opportunities for inflationary profits no longer exist. The transition to that new environment of stability is not lacking in difficulties. In that respect, Brazil is no exception to the rule, as is being demonstrated by the recent banking difficulties in other countries, both developed and developing.

16. The financial system's sensitive nature and its vulnerability to perceptions that spread very quickly and with great effect, given the tremendous mobility of capital that now characterizes the markets, requires not only that the institutions operate in a favorable environment but also that the banking authority be equipped with appropriate instruments enabling it to act quickly when necessary. The history of the development of national financial systems and the international financial system is replete with policy-setting solutions in the wake of major crises. No one can deny the usefulness to us of forestalling such crises whenever possible by anticipating them. Hence, Mr. President, the urgency and importance of the measures now being submitted to Your Excellency. If assented to by Your Excellency and approved by the National Congress, they will constitute an instrument of great usefulness in improving the national financial system.

Respectfully,

[signed] Pedro Sampaio Malan Minister of Finance

Bill on Satellite, Cellular Phone Service

PY3011021595 Sao Paulo AGENCIA ESTADO in Portuguese 1648 GMT 28 Nov 95

[FBIS Translated Text] Sao Paulo, 28 Nov (AE) — Herewith, the preamble of the draft law submitted in document No. 1 of the Communications Ministry:

His Excellency the President of the Republic:

1. I have the honor of submitting for the consideration of Your Excellency the attached draft bill, which aims at regulating the basic conditions for the exploitation of telecommunications services described therein, and which establishes other provisions.

2. [number as received] While the law that is mentioned in Paragraph XI of Article 21 of the Constitution is not regulated, the attached draft bill will be an essential step for meeting the demand for telecommunications services, which heavily outweighs supply.

3. The draft bill is formally and materially backed by the Law of Concessions and by the telecommunications legislation included in Constitutional Amendment No. 8 dated 15 August 1995. The draft bill applies fair

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criteria for the granting of concessions and permissions for exploitation of telecommunications services.

4. The draft bill replaces the elementary regulations that I proposed in the documents entitled "Structural Reform of the Telecommunications Sector-General Premises and Considerations" and "Structural Reform of the Telecommunications Sector-Work Program," which were issued in September 1995 and which were submitted to Your Excellency.

5. The draft bill also seeks to include the so-called added-value services, clarifying its nature and its classification within the existing laws, as is stated in Article 4.

6. The draft bill also seeks to preserve the existing authorizations for exploitation of mobile cellular phone services, transforming them into concessions. From now on, concessions will regulate the relations with those interested in exploiting this service.

7. The draft bill also establishes the conditions for implementation and use of telecommunication satellites in our country, which is a technological alternative with particular features that call for specific regulations.

8. The draft bill guarantees the union the right to collect fees for the concessions or permissions for exploitation of telecommunications services and for the use of radio frequencies.

9. It should be emphasized that the draft bill is properly adjusted to the Program of Government announced by Your Excellency, and that it will cooperate with the attainment of program targets and solutions.

10. I point out to Your Excellency that the draft bill that is being submitted is the result of a debate with representative sectors of the legislative branch, who are responsive to the need to furnish the country with laws that preserve public interest, for which reason I request that the draft bill be submitted to Congress.

11. These are, Mr. President, the considerations that I deemed appropriate to submit to Your Excellency.

Respectfully,

[signed] Sergio Motta

Minister of State of Communications

Text of the draft bill included in document No. 1

Draft bill

The bill regulates the exploitation of mobile cellular phone services and satellite telecommunciation services, and establishes other provisions.

Article 1 — The exploitation of Mobile Cellular Services; the use of satellite orbital positions; and the use of radio frequencies associated to telecommunication satellites, the exploitation of Satellite Telecommunications Services, and the use of the public telecommunications network for rendering added-value services, are regulated by this law and, whenever applicable, by the existing laws applying to telecommunications and concessions.

Article 2 — The Mobile Cellular Service is the mobile land telecommunications service, open to public use, which uses a radio communications system with cellular technology and with access through units for individual use that are portable, mobile, or carried in vehicles, and that are connected to the public telecommunications network.

1. The Mobile Cellular Service, in whatever form, will be exploited through a concession for a period of 15 years that can be renewed for a similar period.

2. The concessions for exploitation of the Mobile Cellular Service will be granted through a tender to Brazilian enterprises having at least 51 percent of voting stock belonging directly or indirectly to Brazilians.

3. The permissions for rendering Restricted Public Mobile Land Radio Communications Service which were granted before approval of this law will be transformed into Mobile Cellular Service concessions based on the terms of the contracts to be signed with the executive branch respecting existing deadlines.

4. The organizations that exploit the Public Telephone Service will interconnect their networks to the Mobile Cellular Service network under appropriate, egalitarian, and nondiscriminatory conditions.

Article 3 — The exploitation of telecommunication services through telecommunication satellites will be granted to authorized enterprises in keeping with the regulations, provided at least 51 percent of the enterprise's voting stocks is directly or indirectly owned by Brazilians.

1. The service will be exploited through a concession for a period of up to 15 years, renewable for the same period.

2. The concession will guarantee the right to occupy the satellite orbit positions notified by Brazil and the use of the radio frequencies associated to satellites, whose control station will be located in Brazilian territory.

3. Concessionaires may make their satellite capacity available — for the purpose of exploiting telecommunications services — only to the organizations that

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received the respective authorization, with egalitarian, nondiscriminatory treatment for all interested parties.

Article 4 — The exploitation of satellite telecommunication services, in any of its forms will depend on specific authorizations, in keeping with the regulations, irrespective of whether the network is accessed from Brazilian territory or from abroad.

Single paragraph. Preference might be given to Brazilian satellites, in keeping with regulations.

Article 5 — The Added-Value Service is an activity through which additional resources are added to existing telecommunications services, creating new utilities for accessing, storing, presenting, moving, and recovering information.

1. Added-Value Services do not entail the exploitation of telecommunications services and do not call for authorizations.

2. Any party interested in rendering Added-Value Services may use the Public Telecommunications Network, in keeping with the regulations.

Article 6 — The Union is hereby authorized to charge for the right for exploitation of telecommunications services and for the use of radio frequencies, in keeping with the regulations.

Article 7 — Up until a regulating organ — referred to in Paragraph IX of Article 21 of the Constitution — is installed, current authorizations, regulations, and supervisory duties, which current laws assign to the Communications Ministry, will remain in force.

Article 8 — This law will enter into force on the date of its publication.

Resolution on Principles for Radio Communications Norms

PY3011161895 Sao Paulo AGENCIA ESTADO in Portuguese 1830 GMT 28 Nov 95

[FBIS Translated Text] Sao Paulo, 28 Nov (AE) — The following is the project presented in document No. 1 of the Ministry of Communications:

Resolution No. ... of ... 1995

Considering the current availability of telecommunications technologies that allow a better use of the radio electric spectrum;

Considering the need to maintain the national plans and norms updated in relation to international recommendations and the need to offer a greater quantity of services with healthy competition among suppliers;

Considering the studies carried out by the International Telecommunication Union, ITU, on different telecommunications services, which lead to the need for adapting the channel supply to new technologies and demands, the minister of communications, using the attributions bestowed on him by Article 87, single paragraph, clause II of the Constitution, resolves:

Article 1 — To adopt the following general principles that must be considered in the preparation and review of norms on radio communications services:

I. — Encouragement of the use of digital technology and compression technologies for signal band width in the different services;

II. — Increase of security of communications meant for services related to protect human life and property;

III. — Reevaluation of band widths and spectrum occupation forms in the bands allocated to fixed and mobile services;

IV. — Reduction of the use of unidirectional channels and encouragement of the use of bidirectional channels, ensuring greater flexibility and efficiency in spectrum use;

V. — Establishment of channels that will allow the use of technologies with different band widths;

VI. — Recognition of the particular cases of the regions, as well as the need to establish differences between metropolitan and rural areas with compatible conditions and costs;

VII. — Harmonization of the national frequency plans with the regulations, recommendations, and agreements signed with the International Telecommunication Union;

VIII. — Prioritization of a greater sharing of the radio frequency spectrum.

Article 2 — When regulating the use of frequency bands, the Communications Ministry will observe the following criterion:

I. — Encourage the shared use of the spectrum, restricting exclusiveness in the destination of frequency uses;

II. — Demand an optimized use of the spectrum, especially the frequency reuse;

III. — Use of minimum spaces among carriers;

IV. — Demand that interference levels be restricted to acceptable limits;

V. — Use, to the extent possible, of directional array systems;

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VI. — Introduction of multiple access techniques;

VII. — Establishment of channels compatible with technological evolution.

Article 3 — Regarding radio broadcasting services, the Communications Ministry will proceed to the revision of channel distribution norms and plans, observing, when it is appropriate, the former articles and seeking to attend to the following objectives:

I. — Possibility of diversified programming and of attending to all Brazilian municipalities;

II. — Adoption of criteria for interference and protection, taking into account the characteristics of technologically modern receivers;

III. — Identification and destination of bands and channels for services that use digital or high resolution technologies, as in the case of radio broadcasting of images;

IV. — Encourage the manufacturing of audio receivers with capability to tune short wave and tropical services band.

Article 4 — When the form of use of bands and frequencies must be modified, the Communications Ministry will establish terms and conditions to carry out such modifications.

Article 5 — This resolution comes into effect on the date of its publication.

[signed] Minister Sergio Motta

Preamble of Decree on Radio Broadcast Regulations

PY3011152695 Sao Paulo AGENCIA ESTADO in Portuguese 1836 GMT 28 Nov 95

[FBIS Translated Text] The following is the preamble of Document No. 4 issued by the Communications Ministry:

Your Excellency Mr. President of the Republic:

The object of Law 8987, dated 13 February 1995, on concessions and of complementary Law 9074, dated 7 July 1995, is to establish the rules for the system of concessions or permits for rendering public services and to regulate, in the form of law, Article 175 of the Constitution, which states that public services must be rendered by the federal administration directly under a system of concessions or permits, always through bids.

2. [number as received] Law 8987, however, established an exception for radio broadcasting services and the relevant regulations. This exception is perfectly understandable, given that the Constitution, as a result of amendment No. 8, discusses radio broadcasting services in a different article from that pertaining to the rest of the telecommunications services.

3. It must be recalled that the Brazilian Telecommunications Code approved by Law 4117 in 1962 did not establish a different treatment for radio broadcasting services, but it established that concessions and permits for radio broadcasting services should be preceded by a bid announcement.

4. Regarding the exceptional treatment of radio broadcasting services, the Law of Concessions includes provisions of unquestionable importance for the process of transferring public services to third parties. It is important that its principles be incorporated and applied in the process of granting radio broadcasting service concessions as foreseen in the Brazilian Telecommunications Code.

5. It must be pointed out that the incorporation and application of the principles of this law consisted only in an adaptation of the Regulations of Radio Broadcasting Services, given that it already establishes rules on the process of granting concessions.

6. Another very important point is that the changes now suggested do not incorporate any changes to the scope of the rendering of services, but only concentrate on the administrative and operational procedures developed by the Communications Ministry in the process of granting concessions or permits for radio broadcasting services.

7. In the same manner, the procedures adopted by this Presidency and the national Congress in keeping with their attributions and jurisdiction are maintained without changes because, due to what has been pointed out, the effects of the changes proposed only affect the attributions of this ministry.

8. I am, therefore, honored to submit for your consideration the enclosed draft bill that modifies the regulations of the radio broadcasting services approved by Decree 52795 of 31 October 1963, and in regard to which the process of deciding on the granting of concessions and permits is in keeping with what is established in the Regulations on Granting of Concessions and Permits for the Exploitation of Telecommunications Services on a Commercial Basis, which is also being submitted to Your Excellency.

9. Therefore, these are, Mr. President, the considerations that this ministry must make regarding the content of the decree that is herewith being submitted to you.

Respectfully,

[Signed] Sergio Motta, Communications Minister

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International Group To Launch Digital TV Service

PY3011192595 Rio de Janeiro O GLOBO in Portuguese 21 Nov 95 p 33

[FBIS Translated Text] Buenos Aires — Four giant international television companies — the Brazilian Rede Globo, the Mexican Televisa, the U.S, TCI2, and Australian entrepreneur Rupert Murdoch's News Corporation — announced on 20 November that they have associated to launch a digital television service via satellite in all Latin American countries. They said transmissions will start early in 1996.

In a news conference in New York broadcast simultaneously to Buenos Aires, representatives of these four enterprises asserted that they are open to partnership with local television producers.

Murdoch said the project budget has still not been figured out, but confirmed an investment of at least $500 million.

Roberto Irineu Marinho, deputy executive president of Rede Globo; TCI2 Executive Chief Fred Vierra; and Televisa President Emilio Azcarraga also answered journalists' questions.

Azcarraga said the signal can also be received by Spanish-speaking television viewers in Canada and the United States.

Without giving details of the strategies to be developed in each country, the entrepreneurs explained that the service will initially be directed toward an audience with high purchasing power, because the decoders will cost around $500 each. The subscription price has not yet been established.

The entrepreneurs did not give details about the programs, but Murdoch said there will be "many surprises."

The Australian entrepreneur said he does not mind if the programs reach homes through satellite or through cable because we are the programmers. He said News Corporation, Televisa, and Rede Globo have 30 percent each of the new business, and TCI2 has 10 percent.

Wasmosy Views Corruption, Crime, Integration Problems

PY2911235195 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Nov 95 pp 1, 10

[Interview with Paraguayan President Juan Carlos Wasmosy by JORNAL DO BRASIL correspondent Marcia Carmo, in Buenos Aires; date not given]

[FBIS Translated Text] [Carmo] What can you tell us about the accusations leveled at your administration, Mr. President?

[Wasmosy] It is my opinion that there is corruption in Argentina, in Paraguay, in Brazil, in Japan, in the United States ...

[Carmo] In Paraguay ...

[Wasmosy] In the case of Paraguay, the difference lies in the fact that we are only now trying to solve problems that date from a long time ago. A democratic state must have a constitutional mandate to combat these crimes.

[Carmo] How?

[Wasmosy] Corruption must be combated within the government and within the private sector. Charges should be pressed against what is wrong, and we need upright judges. The problem with corruption is that it is a vice that has taken root in several sectors. The solution to corruption is straight dealing.

[Carmo] Mr. President, you are a businessman, and from time to time, the opposition accuses you of ...

[Wasmosy] My presidencial tenure is five years. Electioneering takes place during four of those five years; there are election campaigns for mayoralties and governorships, and political parties use any argument to discredit the incumbent administration.

[Carmo] Why does the opposition insist that your company struck it lucky with the construction of Itaipu [hydroelectric dam project] thanks to a decree issued by [former President Alfredo] Stroessner?

[Wasmosy] They say that out of envy. My company was the successful bidder at an international public tender, and we made money. This is by no means a crime. We worked hard. I was not a government official at that time.

[Carmo] Paraguay has always been the target of criticism. What is Paraguay's present situation?

[Wasmosy] The opposition has a majority in Congress. This a positive because it has been instrumental in consolidating the democratic process.

[Carmo] How can you earn the support of that majority in Congress?

[Wasmosy] By dialogue. We are discussing several subjects at present, such as the reform of the banking system, the administrative reform, a new military structure, and the way to give momentum to the privatization process. Therefore, by holding talks ...

[Carmo] During a secret meeting, Brazilian and Argentine authorities contend that Paraguay, particularly Ciudad del Este, is harming Mercosur [Common Market of the South] ...

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[Wasmosy] That problem concerns us all, not just Paraguay. It cannot be combated through the use of force, by posting soldiers.

[Carmo] How can lawlessness be checked?

[Wasmosy] With appropriate economic measures. Let us take the example of cigarettes. Cigarettes sold in Brazil pay very high taxes, but they are exported to Paraguay duty-free. Therefore, Brazilian tourists in Paraguay buy cigarettes at one-fifth of the price they pay in Brazil.

[Carmo] You said the problem concerns not only Paraguay, and that it should not be solved through the use of force. So, how can it be overcome?

[Wasmosy] Brazil levies taxes at the federal, state, and municipal level. If they were to lower taxes, government revenues would suffer. This notwithstanding, there must be a tax cut, a way out. Likewise, we in Paraguay now have to levy a 14 percent tax on certain products that were duty-free. Brazil and Argentina must lower taxes to meet that 14 percent.

[Carmo] And yet smuggling is rampant, not to mention drug and arms trafficking...

[Wasmosy] The origin and details of exportation of all products must be registered, including shipments that leave from Brazilian ports, and then the shipment must be checked at the destination. If this were done the problem would be solved in 90 days.

[Carmo] So the control would start in Brazil?

[Wasmosy] Of course, because the smuggling of these shipments also damages the Brazilian Treasury.

[Carmo] And the cases in which the police are implicated?

[Wasmosy] We are discussing that. I have broached that subject here in my meeting with [Argentine President Carlos] Menem and will do so with [Brazilian President] Fernando Henrique [Cardoso].

[Carmo] How about drug trafficking?

[Wasmosy] Drugs come from Santa Cruz, Bolivia, and are exported to Europe via Pedro Juan Caballero and Ponta Pora and then return to Brazil and Paraguay. Each country has its own specific mission. There are drug-producing countries, and then there are transit countries like Paraguay and Brazil. We will need radar and helicopters.

[Carmo] To make things worse, the looming threat of a coup d'etat if forever present in Paraguay ...

[Wasmosy] Mine is the first civilian government in Paraguay [as published]. I have only been in office for two years and not one shot has been fired. Suffice it to recall what happened in Argentina under [President Raul] Alfonsin [the first civilian president following 14 years of military rule]. How many military uprisings did he have to confront?

[Carmo] Nevertheless, there are serious charges of corruption. The mayor of Ciudad del Este ...

[Wasmosy] He was removed from office, and so was a former finance minister and central bank president [Jacinto Estigarribia]. Former President Andres Rodriguez's son-in-law is facing corruption charges and is currently in custody. What do people expect of me, that I start shooting people in the street? That I kill somebody? No way! Legal proceedings have already been instituted.

Chile

Pinochet, Argentina's Balza on Military Integration

PY3011233795 Madrid EFE in Spanish
1800 GMT 30 Nov 95

[FBIS Translated Text] Santiago, 30 Nov (EFE) — The commanders in chief of the Chilean and Argentine Armies — General Augusto Pinochet and General Martin Balza, respectively — met for 40 minutes today in the Chilean capital. This meeting seeks to strengthen integration between the two armies.

The Argentine Army commander was welcomed with military honors and remained in Santiago only a few hours. He arrived this morning, heading a delegation of Army officers.

In brief remarks to the local press, Gen. Balza said he took advantage of the meeting with Pinochet to congratulate him on his 80th birthday on 25 November.

The meeting between the two military chiefs took place at Gen. Pinochet's office. The Argentine officers brought several gifts for his birthday.

Gen. Balza did not specify the matters discussed with Pinochet, although he responded to a question by saying he categorically denied any disagreement between the two.

"There has never been any disagreement between Gen. Pinochet and Gen. Balza. On the contrary, I have always found a spirit of understanding, friendship, and affection in Gen. Pinochet," he said.

He added that the commander in chief of the Chilean Army "enjoys great respect and consideration" among Latin American counterparts.

He said this could be verified at the meeting of Latin American Armies a few weeks ago in the Argentine locality of Bariloche.

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Chilean, Swedish Ministers Discusses Flow of Investments

PY3011204695 Madrid EFE in Spanish 1857 GMT 30 Nov 95

[FBIS Translated Text] Santiago, 30 Nov (EFE) — Economy Minister Alvaro Garcia and Sten Heckscher, Swedish business and commerce minister, today stressed, in Santiago, their governments' mutual interest in increasing the flow of investments between the two nations.

The two ministers held a working meeting during which, among other points, they analyzed the possibility of establishing joint ventures, especially in the forestry and environmental areas.

The minister explained: We are trying to exchange productive efforts and add value to our exports.

Garcia said that he asked his Swedish counterpart for the support of the Swedish Government in Chile's attempt to enter the EU, and the inclusion of economic liberalization in negotiations with the EU. Sweden has been a member of the community bloc since 1 January 1995.

Chile and Sweden have signed an agreement of Protection and Promotion of Investments which will become effective as of 1996, after having been ratified by the congresses of both countries.

Most Swedish investments in Chile are focused on the industrial sector, which has received 63.1 of the total, especially in the area of timber. Overall Swedish authorized investment rises to $48.9 million.

Venezuelan Minister Discusses Trade at Santiago Seminar

PY2911170195 Santiago EL MERCURIO in Spanish 28 Nov 95 p C4

[FBIS Translated Text] Taking stock of relations between Venezuela and Chile on 27 November, Venezuelan Foreign Minister Miguel Angel Burelli underscored the progress made in bilateral ties and expressed his country's interest in seeing an increase in the inflows of Chilean capital into Venezuela.

Burelli also announced that OAS member countries have nearly reached a consensus on an international convention on probity, which contemplates various mechanisms for judicial cooperation in the hemisphere to combat possible outbreaks of corruption.

The Venezuelan foreign minister, who is participating in an international seminar in Santiago, termed bilateral relations "good," although he commented that "there is room for improvement," both on account of similarities between the two countries and "the degree of development attained by Chile."

Burelli commented: "We are one of the leading importers of Chilean fruit and exporters of oil by-products. Still, we would like to boost bilateral trade and attract more Chilean investments to Venezuela, as is seemingly being done at present."

The Venezuelan minister pointed out that Chilean capital could be funneled into the financial sector and that, in fact, Venezuelan private companies have displayed an interest in that sector.

Burelli further stated that the Chilean and Venezuelan governments are negotiating an investment promotion and protection agreement and an accord on the elimination of double taxation in order to establish the appropriate legal framework to promote greater flows of capital between both countries.

The visiting minister noted that the two countries could undertake joint ventures [preceding two words in English] and use Venezuela as a base for exporting products manufactured in both countries.

Burelli went on to say: "Given the fact that Chile is perhaps the country having the healthiest economy in the region, we want to learn by example."

Commenting on the progress of the bilateral trade agreement, the Venezuelan foreign minister said that it was well under way but that in practice there were a number of problems due to the fact that certain officials hamper trade by finding fault with animal or plant health certificates and other things.

Going back to the convention on probity, which is being drafted under the aegis of the OAS, Burelli said that Venezuela was particularly interested in seeing this project go through, so as to check and prevent corruption.

The Venezuelan foreign minister declared: "Corruption is a condition affecting human beings' innermost nature, and one that cannot be practiced with impunity. This is why we have put forward at the OAS the idea of a convention that will have to be approved by an OAS general assembly to be held, tentatively, in Caracas in February [1996]. The preliminary work has already been done. There is near consensus on the fact that this convention should lay down the rules to fight against speculators, predators of the state."

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Four Candidates To Run in PS Elections

96P20117A Santiago LA NACION in Spanish 4 Nov 95 p 12

[FBIS Translated Text] Deputy Juan Pablo Letelier will be the standard-bearer for the "third way" faction of the Socialist Party [PS] in the 10 December internal elections. He will compete with Camilo Escalona for the "new left"; Ricardo Nunez, for the "megafaction"; and Francisco Rivas, for the "socialist left"; the three have already declared their candidacies.

With this fourth candidate for the socialist elections, the feared bipolar contest between the blocs that have traditionally divided the socialists into modernized and historic has been ruled out. At the same time, the result of the elections has become more uncertain, since as a minority faction the third way was expected to act as a kingmaker, with its ability to tip the balance between what is believed to be the approximately one-third of the socialist electorate represented by Escalona's new left and the approximately one-third represented by Nunez's megafaction.

The third way faction's decision was made in a meeting on 2 November and confirmed on 3 November after Deputy Letelier accepted. This decision puts an end to an alliance commitment previously undertaken between this group and current PS President Camilo Escalona.

If this scenario continues until 10 November, when the candidates register, there will be a hard-fought race between Escalona and Nunez, and the outcome is considered too close to call. In contrast, the third way with Letelier and the socialist left with Rivas will have the opportunity to diversify the factional contest through their candidacies, which will be symbolic but useful in measuring their relative internal strength for the first time.

The third way faction's decision was not unanimous, since some members of the group thought it rash to risk completing alone and being punished by the "useful vote" principle, which encourages voters to choose candidates who have a real chance of winning. However, the comparative advantages of Deputy Letelier and his role in the current debate on human rights attracted the majority of the faction towards favoring its "own way" to measure its real strength for the first time.

Escalona will have to fight for the PS presidency accompanied only by Clodomiro Almeyda and against two opponents who have never measured their internal weight, plus a third from the modernized faction, which for the first time is running united.

Colombia

President Rejects U.S. Congress' Exports Amendment

PA3011155895 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 30 Nov 95

[Report by Gilbert Vega; from the Caracol's "0600 to 0900" newscast]

[FBIS Translated Text] After warning that banana exports are a national security issue for Colombia, President Ernesto Samper Pizano told the U.S. Congress that its proposed amendment on Colombian exports cannot be based on the interests of individual companies.

The president announced that with the support of certain U.S. congressmen, he will continue waging a diplomatic battle against the U.S. Congress to prevent the amendment's passage.

Samper: WTO Mechanism Proper Tool for Conflict Solving

PA0112004895 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 30 Nov 95

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] President Ernesto Samper Pizano, said when inaugurating the Foreign Trade Ministerial Summit on 29 November, that apparently it is not enough to prove and demonstrate in the proper forums that Colombian regulations are clear, nondiscriminatory, and in keeping with international agreements.

He said he will not stop insisting that the mechanism for the solution of conflicts contained in the framework of the WTO is the proper tool for this debate.

Samper Rejects Solution of Crisis Through Plebiscite

PA3011235795 Mexico City NOTIMEX in Spanish 2122 GMT 29 Nov 95

[FBIS Translated Text] Santa Fe de Bogota, 29 Nov (NOTIMEX)— President Ernesto Samper said today that he is opposed to seeking a solution to the political crisis outside the realm of the nation's institutions. "At the most difficult moments of the current process, the government's aim has always been to defend its institutions," Samper said during an official event at the presidential palace.

The president's statement came after former Government Minister Jaime Castro proposed a plebiscite to decide whether Samper should continue to be the president.

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Samper is being investigated by the Congress, at his own behest, due to charges of alleged mafia involvement in the electoral campaign that led him to the presidency in August 1994.

Certain opposition sectors have questioned the preliminary investigation by Congress, which is controlled by the ruling party, and have suggested resorting to another instance to clarify the president's situation.

"Those who are currently proposing solutions for the current situation outside the realm of institutions do not know that if, in fact, this process has not ended in a painful incident, it is because of the government's insistence on allowing institutions to function," Samper said.

He added that "institutional solutions are required to get to the truth without sacrificing democratic stability and without risking Colombia's well earned prestige as a country with laws and a state of law."

The new Colombian Constitution, which has been in effect since July 1991, establishes that the only body authorized to investigate the president of the Republic is the House of Representatives' Accusations Committee.

Nevertheless, former presidential candidate Andres Pastrana has proposed that a different body take on the case to guarantee the honesty of the report that will determine whether Samper allowed illegal funds to be used in his electoral campaign.

The president has repeatedly expressed support for the parallel process that the Prosecutor's Office is conducting to clarify the charges of mafia connections, and he has encouraged Prosecutor General Alfonso Valdivieso to establish a new judicial policy for Colombia.

Prosecutor General on Continuing Samper Investigation

PA0112023495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Dec 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso in a dialogue with journalists answered yesterday's remarks made by President Ernesto Samper when he talked about the threats to the country's democratic stability.

Apparently in response to the president's warning yesterday when he said the search for the truth should not endanger the country's democratic stability, Prosecutor General Alfonso Valdivieso said today he will not stop the work done by his office regardless of what may happen.

[Begin Valdivieso recording] The work done by the Prosecutor General's Office does not have to be paralyzed for the sake of an alleged institutional stability. I repeat, institutional stability is attained with the guarantee that institutions will be effective, not with their lack of action. [end recording]

Valdivieso said that as evidence against Samper continues to be found, he will continue to send it to the Accusations Committee even if the president's investigator has already submitted his report. As for former Defense Minister Fernando Botero, he said he does not rule out the possibility that his relatives will be called to testify.

[Begin Valdivieso recording] I believe everything is possible if that contributes to the clarification of events. [end recording]

As for the rumor that Cali Cartel accountant Guillermo Pallomari had refused to put his fingerprints on the inquiry he received from the Colombian prosecutors, Valdivieso said there is no doubt that we are talking about the same man arrested in Cali a few months ago.

Accusation Commission Member on Samper Investigation

PA0112023795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Dec 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Heyne Mogollon, Colombian congressman, who is a member of the Chamber of Representatives' Accusations Commission responsible for investigating allegations of drug money infiltrating President Ernesto Samper's presidential campaign, said today that he has not revealed anything regarding the report he will submit to his fellow commission members.

Mogollon said he has not talked to anyone about his report on the preliminary investigation of Samper.

[Begin Mogollon recording] I simply have a report and I cannot reach a conclusion until the last minute when the commission makes a decision. [end recording]

As for the investigation of the president, Mogollon has two options: either he recommends the opening of a formal investigation of the president or files away the investigation. If a new piece of evidence emerges in the future, the investigation may be reopened.

[Begin Mogollon recording] The legal principle of a case already been tried cannot be applied here. [end recording]

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Ecuador

Duran-Ballen: No Vote Does Not Mean Government Defeat

PY3011145595 Madrid EFE in Spanish 0252 GMT 30 Nov 95

[FBIS Translated Text] Quito, 29 Nov (EFE)— President Sixto Duran-Ballen said today that the "no" victory in last Sunday's plebiscite would not be a defeat for the administration, but it would tie the hands of future government officials.

Duran-Ballen said the result of the plebiscite was "never a defeat for the government." This was his first comment after the plebiscite in which, according to an exit poll, the "no" vote rejecting the constitutional reforms proposed by the goverenment won.

Duran-Ballen noted that "those who see the result of the plebiscite as a vote against the government" should "really see that the result is tying the hands of future government officials."

He added those "who believe the plebiscite was a defeat for the government, that the government must stop doing what it should be doing or that even the president should resign, are wrong."

The victory of the "no" vote in the plebiscite, which has not yet been officially confirmed, has been considered by many political sectors as a vote against the government.

Andres Perez, president of the Quito Chamber of Commerce, who supported the "yes" vote for the 11 questions in the plebiscite, said that the people confused the plebiscite with a poll to measure the government's popularity, and that the people "took this opportunity to express their resentment and voice their protest against the government."

According to unofficial results, the victory of the "no" vote on the most controversial questions about privatizing the social security system and authorizing the president to dissolve Congress once during his administation was overwhelming, capturing more than 60 percent of the votes.

Ex-Vice President's Discretionary Funds Case Viewed

Dahik Sends Evidence

PY3011145495 Madrid EFE in Spanish 1954 GMT 29 Nov 95

[FBIS Translated Text] Quito, 29 Nov (EFE)—Ex-Vice President Alberto Dahik sent from Costa Rica copies of the acts of the discretionary funds accounts, which are currently under investigation, signed by Comptroller General Juan Carlos Faidutti, who reiterated he doesn't know anything about such acts.

In this regard, Dahik's lawyer Walter Guerrero said: "This means that the Comptroller General's Office never objected to the use of the checking account in the Pacific Bank (private) as a mechanism for managing the discretionary funds of the Vice Presidency."

The so-called Dahik case broke out last August after deputies of the Social Christian Party (PSC, opposition) denounced the fact that Vice President Dahik authorized two of his private secretaries the use of the discretionary funds deposited in a checking account in a private bank and not in the Central Bank as required by law.

Faidutti insisted on several ocassions, including once under oath before the Supreme Court, that he was not aware about the use of discretionary funds deposited in a private account in the Pacific Bank.

The copy of the acts, with Faidutti's signature, were submitted to Supreme Court President Carlos Solorzano, who will evaluate the documents and the comments made yesterday by ex-Bank Superintendent Jose Iturralde.

Iturralde revealed before Solorzano and Attorney General Fernando Casares that he was pressured by the government not to give the code and the key to the Central Bank vault where the microfilms are being kept.

President Sixto Duran-Ballen today denied Iturralde's comments. He said that the fact that 10 people had access to the documents "is his fault because he had the code and the key."

As a result of the Supreme Court investigation, and after learning that Solorzano had ordered his preventive detention, Dahik resigned and subsequently sought refuge in Costa Rica.

Faidutti 'Approved' Use of Funds

PY3011231795 Quito Voz de Los Andes in Spanish 1700 GMT 30 Nov 95

[FBIS Translated Text] Former Vice President Alberto Dahik reportedly spent a total of 17,8 billion sucres, equivalent to $6.2 million, from the government secret discretionary funds account during his three years in the government.

Ecuador is considered one of the poorest countries in Latin America. Between 5 August 1992 and 30 September 1995, 17.8 billion sucres were spent of the 19.69 billion sucres deposited in the account for secret expenditures of the Vice Presidency, leaving a surplus

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of only 1.89 billion sucres, according to a document on the circulation of the discretionary funds. The surplus 1.89 sucres have been saved.

This document was released yesterday by Dahik's Lawyer Walter Guerrero, on orders of the former vice president who sent the document from Costa Rica to be included in the criminal proceedings filed against him by the Supreme Court of Justice.

Guerrero said the documents showing the use of the discretionary funds have all been approved by Comptroller General Juan Carlos Faidutti. Referring to the document, Guerrero said no one can be tried twice for the same crime. The only judge of the accounts of the secret expenditures is the comptroller general, and he approved Dahik's accounts. Since the account has been settled and closed, a criminal proceeding is not appropriate.

Faidutti has not commented on the matter, but in previous remarks he denied having known or managed the secret accounts in a private bank.

Guerrero said Dahik's accounts were not secret to the point that they generated interest for the Treasury, and the comptroller general was fully aware of this since the date the accounts were opened. The accounts were declared secret when the president of the Republic issued a presidential decree stating that they were secret.

The Supreme Court continues criminal proceedings against the former vice president for presumed misuse of funds.

Digital Microwave Link on Colombian Border Installed

PY0112020195 Quito Voz de Los Andes in Spanish 2300 GMT 30 Nov 95

[FBIS Translated Text] The Colombian and Ecuadoran public telecommunications enterprises have inaugurated a digital microwave link that will improve and expand communications along the border between the two countries.

The new system, which will mean communications originated along the border will not have to go via the two capitals, Bogota and Quito, was inaugurated in Pasto, southwestern Colombia.

An agreement between Telecom [National Enterprise for Telecommunications], of Colombia, and Emetel [State-owned Telecommunications Enterprise] of Ecuador, and the AZ [not further identified] company allowed installation of the digital link that represents a first step in a project to interconnect the South American Andean region.

The 35,000 users of the telecommunications services in Carchi, (Libabura), Sucumbios, (Lapo), and Esmeraldas Provinces, in Ecuador, and the 35,000 users in Narino and Putumayo Provinces, in Colombia, will benefit most from this new link.

Peru

Military Involvement in Cachique Rivera Case Viewed

Iscozacin Officials Accuse Officers

PY3011181495 Lima EL COMERCIO in Spanish 10 Nov 95 p A25

[FBIS Translated Excerpt] The testimonies of the main officials of the district of Iscozacin, Oxapampa Province (Pasco), are very important in the accusation by Judge Cesar Herrera Cassina against the 11 Army officers from the Mantaro Front for their links with Abelardo Cachique Rivera's "firm."

Iscozacin Mayor Jesus Manuel Herrera Dominote and the justice of the peace of that district, Bartolome Shareba Muillen, have testified before the special judge, Juana Elvira Cordova de los Santos, telling all the details of flights of drug planes toward Colombia and the manner in which the military officers "pretended not to see anything."

These two officials, as well as local citizens Oswaldo Alva Portales and Cesar Rojas Ramirez, are held in custody and facing trial in Oxapampa for also being part of the organization of drug traffickers headed by Cachique Rivera, "El Negro" or "Teniente."

Among other things, they said that the Mantaro Front command, headed by General David Jaime Sobrevilla, has ordered the retreat of the base from Iscozacin, knowing that the airport was continuously used by drug traffickers.

They reported, for instance, that the Air Force "Tucano" planes shot down several drug planes that the military allowed to take off, notwithstanding the fact that the countersubversive base is located practically next to the landing strip.

The most obvious evidence took place between 7 and 8 December 1994, when a plane experienced an accident while trying to take off. Drugs were found inside that plane, they said. [passage omitted]

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Fujimori Defends Officers

PY0112005195 Lima LA REPUBLICA in Spanish 11 Nov 95 p 3

[FBIS Translated Excerpt] President Alberto Fujimori said yesterday that the arrest warrant issued by the judicial branch against 11 military officers accused of cooperating with drug trafficker Abelardo "Cachique" Rivera is groundless and tarnishes the image of an institution which has pulled off important achievements in the antidrug fight.

Fujimori said that the reports provided by Dinandro [National Antidrug Directorate] show the intention is to hold the officers responsible for moving a counter-subversive base from one location to another.

He said this transfer was ordered by the command because the presence of military troops was no longer necessary there.

He said that if it is confirmed that those officers received money from the drug traffickers, they would be responsible, but added that this has not been verified.

Some accusations end up being unjustified. Such accusations tarnish the image of officers and soldiers who are fighting the drug-trafficking evil under very difficult conditions.

The Peruvian president reaffirmed his support for the Armed Forces in the antidrug fight, adding that there may be some bad elements within the institution. [passage omitted]

Dinandro Clears Generals

PY3011184395 Lima LA REPUBLICA in Spanish 11 Nov 95 p 17

[FBIS Translated Excerpt] The National Antidrug Directorate, Dinandro, released a new police report and "cleared" Generals David Jaime Sobrevilla and MacDonald Perez Silva, for whom arrest warrants were issued by the 25th Lima Criminal Court, of any responsibility in drug trafficking.

The document clearing the generals was issued at the request of the Prosecutor's Office of the Supreme Military Court which, through note 057-FG/CSJM of 6 November, asked the Dinandro for information on the two generals.

The new police report summarizes the investigation into the links between Army personnel and the drug-trafficking gangs operating in the Mantaro valley carried out by the police, the Prosecutor's Office, and the 25th Criminal Court.

The report, identified as No. 980-11-95-Dinandro-PNP/DITIB-EB of 7 November 1995, was signed by Commander Juan Oscar Orrillo Alarcon and Major Rene J. Munarriz Palomino.

The report was issued four days after Judge Cesar Herrera Casina opened the case and ordered the arrest of Generals Jaime Sobrevilla and Perez Silva for drug trafficking, corruption, concealment, and fraud.

It was also issued 15 days after the Dinandro issued report No.919-10-95-Dinandro/Ditib-EB (23 October) indicating the links between Army personnel and the drug-trafficking gangs operating in the Mantaro valley.

The latest Dinandro report concludes by saying that "according to the testimony of Abelardo Cachique Rivera, aka 'Teniente'; Milagritos Reategui Achin, aka 'China Mili'; and the officers who served in Constitucion, Generals Jaime Sobrevilla and Perez Silva had no responsibility in drug trafficking."

The report adds that according to the note sent by the Army Military Police related to the personnel who served in the "J" National Security Area, the names of Jaime Sobrevilla and Perez Silva are not listed; therefore, these Army officers have not undergone any police investigation. [passage omitted]

The new Dinandro report is now used by Generals Jaime Sobrevilla and Perez Silva and Colonel David Antonio Vinatea Cornejo to appeal the warrant for their arrest issued by the 25th Lima Criminal Court.

Neither of these three officers or the eight other Army officers who were accused of drug trafficking and corruption have been put under the jurisdiction of Judge Herrera Casino by either the Army Personnel Directorate or the Military Police.

The appeal made by the officers will be evaluated in the next few days by the 13th Criminal Court headed by Judges Sixto Munoz Sarmiento, Juan Pablo Quispe Alcala, and Juan Huirse Zelarayan.

Fujimori Confirms 'Retirement' of 'Colina Group' Members

PY3011203095 Lima EXPRESO in Spanish 19 Nov 95 p A2

[FBIS Translated Text] President Fujimori on 18 November confirmed that members of the so-called Colina group have been sent into retirement. They had been prosecuted on charges of having murdered nine students and one professor of the Enrique Guzman University, known as La Cantuta.

Talking informally with journalists during his tour of the Santa Anita market, Fujimori stated—without

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specifying dates—that "the Colina group case" is closed because their members are no longer on active service.

In the past few days this group was accused of sending flowers bearing death threats to three congressmen and representatives of human rights organizations.

Uruguay

IDB Chairman Enrique Iglesias on Uruguayan Economy

PY3011194295 Montevideo BUSQUEDA in Spanish 23 Nov 95 p 24

[Interview with Enrique Iglesias, Inter-American Development Bank, IDB, president by unidentified reporter in Washington; date not given]

[FBIS Translated Text] [BUSQUEDA] The Latin American economic situation has two worrying cases: Argentina and Mexico. How do you see these two situations?

[Iglesias] I think the two wounds—the Mexican crisis and its repercussion in Latin America, especially in Argentina—were much better administered than it appeared during December of last year. Argentina is generally overcoming its problems. The structure of Argentina's foreign debt is quite different from the situation in Mexico when the crisis hit that country. Argentina is going through a period of favorable international prices. The government gives a good impression because it shows that, in theory, it knows what to do to defend the model. The Argentine people are sensitive to hyperinflation—because of past experiences—which helps give consistency to the defense of the model, even though suffering the disturbing effects of any adjustment plan; for instance, in the unemployment rate.

In the case of Mexico, one must recognize that it suffered a reaction that the market did not expect when the crisis hit at the end of last year. Markets continue to be nervous and hesitant, and react to any indication of trouble, like in the past few days. This is inevitable.

Mexico is on the good path, but we must remember that democracy is consolidating while the economic crisis is being overcome. It is not easy to keep an economic model, make adjustments, and continue to consolidate the democratic system.

[BUSQUEDA] What could happen in Argentina, to which Uruguay is so closely linked?

[Iglesias] The government, and international organizations, particularly those from Bretton Woods, agree that Argentina can get out of the crisis and start growing again next year, which will favor Uruguay.

[BUSQUEDA] Can we expect a favorable influence from Brazil as well?

[Iglesias] Brazil is showing very positive signs. The market has a lot of confidence in the Brazilian economy. The country has problems when trying to maintain the fiscal discipline, but the government has taken up the challenge vigorously.

At one point we thought the Brazilian economy was going to have a recession this year, but the country had continued to grow. Brazil continues to export while maintaining a low inflation rate, and experts expect inflation will drop even more next year. There are no prospects for a slowdown, which is very good news for us.

[BUSQUEDA] In Uruguay, the economic slowdown is expected to continue well into 1996. In this context, do you think it is worth maintaining the foreign exchange benchmark? Would it not be better to seek ways to improve competitiveness?

[Iglesias] The government does not have many alternatives. The worst thing the Uruguayan Government can do would be to abandon the search for fiscal balance. If this were the case the cost would be much higher later.

[BUSQUEDA] The government implemented measures to encourage producers to export more, and to pay their taxes, etc. Are these measures enough?

[Iglesias] I have not followed what happens in Uruguay closely. I believe an adjustment that includes loosening the foreign exchange rate is very dangerous. It is very dangerous to believe that you can gain competitiveness by exclusively adjusting the foreign exchange. This belief, however, is quite widespread.

[BUSQUEDA] Can you make a forecast on Uruguay's economy?

[Iglesias] The main topic is inflation. Although it is dropping, I think the government must continue its policies in this respect. Over the past 10 years Uruguay did not do so badly in growth and maintaining income values. It would be very bad to succumb to the temptation of loosening the monetary and fiscal policies because all that was achieved will be in jeopardy. The country could pay dearly in the long run.

[BUSQUEDA] You sent a message that was read during a seminar in Montevideo a couple of weeks ago, saying that corruption was one of the worst economic problems; worse even than inflation because it affects the entire society. What are the effects of corruption?

[Iglesias] Corruption in some countries, particularly those affected by drug trafficking, has extended to all

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levels and decisively attacked social institutions. It is not only a Latin American problem, but a problem that exists in other parts of the world, in some cases it is even endemic. Our countries are weak and corruption is a threat to our institutions and, thus, to our democracy.

[BUSQUEDA] Economist Vito Tanzi said that one way to fight corruption is by loosening the state regulatory network. Do you share that point of view?

[Iglesias] There is no doubt that corruption levels will drop if state interventions are eliminated. However, I have no clear idea about the corruption that is derived from drug trafficking. I think this type of corruption is more difficult to eliminate.

Causes of, Solutions to Economic Recession Viewed

PY3011204595 Montevideo BUSQUEDA in Spanish 23 Nov 95 p 2

[Editorial: "When Will the Economy Take an Upturn?"]

[FBIS Translated Text] The latest economic indicators released by the Central Bank of Uruguay seem to confirm, in general, the downswing in which the Uruguayan economy currently finds itself.

The construction industry is still the sector that has been the worst hit by the recession. Things are also going pretty badly for the manufacturing industry (despite the fact that there was an increase in the consumption of fuel-oil [preceding word in English] on the part of Uruguayan industries) and for retail businesses (as was evinced in the recent survey conducted by the National Chamber of Commerce covering the first three quarters of the year).

The shrinkage in exports of traditional products, in volume terms, (exports of meat plummeted by 53 percent in October and even though exports of wool increased by 4.3 percent in the same month, they recorded an accrued decline of 26 percent in the 10 months to November), coupled with the sharp fall in imports in August, point to a slowdown in economic activity in the third quarter, and possibly, in the fourth quarter of the year.

The restrictive effect on domestic demand caused by the latest fiscal adjustment and the worsening of Uruguay's position in the region—particularly vis-a-vis Argentina—are the basic factors accounting for the major slump hitting our country this year.

The construction industry, retail businesses, and services—which last year were the sectors that recorded the greatest growth—have been the most adversely affected by the shift that took place in the regional context. Of all producing sectors of exportable goods and commodities—basically the manufacturing industry and the agricultural sector—which are the only ones that could bypass the problem arising from the rickety regional demand for Uruguayan goods and services, only the agricultural sector is registering a strong growth due to favorable international prices and the possibility of acceding to new markets, like the case of beef.

Unfortunately, this is not the case of the manufacturing industry. It is facing huge competitiveness problems which prevent it from expanding by boosting its exports to foreign markets—and herein lies one of the most formidable problems that must be surmounted in order to be able to neutralize recessive pressures from the region and expeditiously resume growth. The adjustment of relative prices and of the competitiveness of our economy is still a pending subject in Uruguay, despite the fact that the incumbent administration has taken some measures in this regard (reduction of employers' contributions, reimbursement of indirect taxes, replacement of the Imesi [specific domestic tax] on electricity for the VAT [value-added tax], etc.)

With services and the construction industry gearing down following the "bubble effect" caused by a regional demand that fizzled out and with our industry that, owing to its lack of competitiveness, is unable to act as the driving force to achieve growth, the prospects for an economic upswing in the short term do not seem very promising.

Above and beyond the growth the agricultural and livestock sector may undergo, the only possibility that Uruguay's GDP will grow in the near future is by priming the pump in the construction industry via greater public investment and the BHU (Uruguayan Mortgage Bank). Nevertheless, this is precisely the opposite to what should be done in order to facilitate the adjustment of relative prices which the economy needs, as evinced by the experience of the country's situation in 1982. It is not by resorting to greater foreign indebtedness to try to maintain the demand in the sector of nontraded goods that Uruguay's GDP will record a sustain growth. On the contrary, this move may lead to a greater imbalance of relative prices and foreign trade.

It seems totally pointless to have recourse to indebtedness to maintain the same level of aggregate demand in the sector of nontraded goods; save that we were absolutely certain that there will soon be a surge in the Argentine demand to levels comparable to those of 1994, which is nearly impossible to achieve in the next two or three years because the consumption boom [preceding word in English] in our neighboring country is ancient history now.

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A slowdown in economic activity—and a price reduction—in the sector of nontradable goods and services is an essential part of the adjustment process the Uruguayan economy is undergoing (and obviously, also the Argentine one). The excess of supply which is currently seen in that sector must necessarily lead to the aforementioned result. Everything that is done to avoid this process will undermine the possibility of resuming sustained growth.

There is no country under the sun having a small and relatively open economy that has been able to achieve sustained growth and development on the basis of the expansion of producing sectors of nontraded goods and services. The pattern of growth Uruguay has had over the last five years was clearly unsustainable because the initial expansion of domestic consumption generated by stabilization programs based on the control of the exchange rate is necessarily put on the reverse in the subsequent stages of the program.

In order to meet the challenge to resume sustained growth, we should not resort to greater foreign indebtedness to boost outlays in public investments, but rather adopt the necessary measures to reduce the "Uruguayan cost" and enhance the private sector competitiveness so as to enable a better reallocation of resources for producing sectors of goods that can be marketed internationally (exportable goods and those allowing import substitution). It would be an extremely wise idea not to repeat the highly costly errors of the past so that by the end of 1996 or beginning of 1997, our country can experience an economic upturn and achieve sustained growth on more permanent and less shaky bases than the ones prevalent until last year.

Venezuela

President To Study New Currency Exchange Agreement

PA0112015895 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 29 Nov 95 p 2

[Report by Maria De La Paz Higueras]

[FBIS Translated Text] President Caldera is studying a document, prepared by the Finance Ministry, that will allow for a new exchange agreement with the Central Bank of Venezuela. In fact, the agreement marks the devaluation of the country's currency following the decision to have a rate different to the current one.

A reliable source, which is close to the presidential palace, said that the finance minister had been very careful in writing the document that will establish a single exchange rate, without any kind of controls, to be able to observe—with this measure—the market's behavior.

It will only be until the beginning of next year, when the government will be able to determine the conditions of the foreign exchange reform, that is to say, the possibility of having a fixed or a dual exchange. The latter is being considered mainly because the government is taking extreme precautions to avoid corrupt actions.

The source also said the president has in his hands, the decree that increases gasoline prices again. However, the labor situation in this sector and the proximity of the elections have not allowed him to make a final decision on the issue. The president always tries to avoid blows against the people.

Just as the president himself said recently, the devaluation has to be accepted as a fact. This action, however, will serve to learn the real value of the country's currency as there are people—some are even dealing with U.S. currency outside the country's borders—who have been speculating with it in the past months.

The government wants to establish a single type of exchange with a peak of 283 bolivares, only to see how the market behaves. Although observers have insisted that the bolivar is overvalued compared to the Brady dollar, it is estimated that the foreign exchange could get very near to 300 bolivares by the end of January 1995.

The Executive is making big efforts to avoid the resounding fall of our currency triggered mainly by the economic situation in the country; a situation that is not similar to that of several countries in the area that have already gone through this experience.

The tremendous resources and the possibilities afforded by the exploitation of oil make Venezuela a totally different country with greater possibilities of overcoming the current situation.

Talks With the IMF Start To Advance

On another issue, it was revealed that the talks between the government and the IMF have started to advance in the past days, because the Executive has decided to implement several drastic measures, precisely the ones flagged by the international organization.

Apparently, issues such as privatization and reorganization of the central government have been left for later to be able to concentrate on issues that are totally related to finance, foreign exchange, and auditing.

There was even talk in the palace of reaching a three-year agreement with the IMF and this would definitely be a preface to reaching agreements with other international organizations and banks. If this happens,

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it would mean fresh money for the country, which has its productive sector at a standstill currently.

Colombian Ministers Express Support for Caldera

PA3011150295 Caracas Venezolana de Television Network in Spanish 0200 GMT 28 Nov 95

[Report by Pedro Prado]

[FBIS Translated Text] The Colombian Government, through two of its ministers who paid a visit to President Rafael Caldera on 27 November, gave its unconditional support to Venezuela in the face of the economic adjustment measures it has had to adopt to overcome its financial problems.

Development Minister Rodrigo Marin Bernal and Foreign Trade Minister Daniel Mazuera of Colombia were charged with reiterating the support of the Ernesto Samper government for the economic adjustments the Venezuelan president will be making. According to the visitors, the exchange measures will benefit both countries, because they would end distortions in the trade relations between them.

[Begin Marin Bernal recording] Regardless of the results of the measures, the integration process will continue. I believe the process will contribute to the consolidation of decisions that not only seek to increase trade relations but are moving toward an expanded market in which the fundamental principle of freedom of movement of goods, services, capital, and persons is respected. [end recording]

Marin Bernal said that the milk imported to Venezuela, for which $600 million were paid, ended up in Colombia.

[Begin Marin Bernal recording] That is unfortunately the result of the exchange difference. That is why the adjustment in the exchange rate is so important, because it stops this type of phenomemon, which in one way or another distorts trade flows. [end recording]

Colombia will take measures to prevent a possible devaluation in Venezuela from hurting its market.

[Begin Mazuera recording] In Colombia we are ready to examine the situation and make the necessary corrections to prevent distortions. [end recording]

According to Colombian Development Minister Rodrigo Marin Bernal, the trade relations between the two countries are normal and will be increased in the future even though Venezuela may make drastic macroeconomic policy decisions.

Parties React to President Caldera's 27 Nov Speech

PA0112020395 Caracas EL NACIONAL in Spanish 29 Nov 95 p 2D

[Report by Wilfer Pulgarin]

[FBIS Translated Text] President Rafael Caldera's most recent television speech raised much controversy between political personalities who reacted in dissimilar ways, specifically on the president's wish to "execute" those who speak ill about Venezuela outside the country and regarding his support for his Finance Minister Raul Matos Azocar.

One of the first criticisms aroused from Social Christian Party [Copei] economist Agustin Berrios, who believes that consequence of placing all economic power in the hands of Matos "leads us further down the wrong path and foretells of more folly and poverty for the people."

Berrios said that "today, the administration is more rigidly mistaken. It is completely headed toward the abyss."

Berrios described as "dramatic" the head of state's declaration in which Caldera said he knew more about Venezuela than IMF President Michel Camdessus.

These words reveal how far we are from reaching an agreement with the IMF. Obviously, Mr. Camdessus does not know where Niquitao is nor how Margarita's "foreign trade" operates, however, the truth is his predictions regarding the Venezuelan economic and social situation are more dependable than the predictions of the Economic Council experts.

"How much has Dr. Caldera changed since he abandoned Copei, that now he wants to execute people who provoke him!" Berrios concluded.

Careful With Executions

Democratic Action [AD] Party Deputy Secretary General Aristides Hospedales said that independently of any consideration being made, "the president of the Republic should never want to execute anyone."

Hospedales considered that opposition to a head of state should motive him to study the issues which are causing differences.

Hospedales later said: "I do not doubt that the president knows much more regarding what is happening in Venezuela than Camdessus. However, I am also convinced that Caldera has little knowledge regarding what is occurring in the planet from an economical point of view, where concepts such as globalization, competitiveness, and privatization are on the agenda of almost every country."

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Joseph Albornoz, member of the national directorate of the Radical Cause [LRC] Party, believes the president appeared on television on Monday [27 November] for two reasons: to enter the electoral campaign in favor of the National Convergence, and to lie to the people.

Albornoz pointed out that it is a flagrant lie for Caldera to say that the financial aid was aimed at money savers, "when we all know that they were aimed at bankers, including his son-in-law, that later fled abroad."

Support for Matos is Good

MAS [Movement Toward Socialism] leader Teodor Petkoff expressed his opposition to the voices of AD, Copei, and LCR. Teodor Petkoff believes it is important and positive that Caldera gave public support to his finance minister.

In that regard, he said that Bernardez' firing was "a result of the need to eliminate incoherent factors which until now had been clearly perceptible in the Economic Council."

The president explained well how Bernardez' removal was a result of his continuing disagreements with Matos' positions, and I would add his continual effort to "undermine" the minister.

Petkoff supports the president's assertion about his knowledge of the country and added that the problem with the IMF is that it tends to have rigid and dogmatic views and it "frequently neglects the social and political aspects involved in negotiations."

Regarding the statement on his desire to execute, Petkoff said it was an expression used to let of steam "which should not be given any importance, and the rest is understandable because of the great stress to which the president is exposed."

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